

**Asset & Wealth
Management
Community**



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we
shape this brave new World!

Asset Management Luxembourg, your location of choice



*Seizing opportunities
in Luxembourg*

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Luxembourg Asset Management in 2020, a new vision

The Asset Management sector stands on the precipice of fundamental shifts that will make it significantly different tomorrow than it is today. The good news is that we can look forward to a bright future: worldwide assets under management are continuing to rise, and we predict they'll exceed USD 100 trillion by 2020.*



Steven Libby
Luxembourg Asset and Wealth
Management Leader

The increase in investable assets amid a wave of post-crisis regulations has created a uniquely favourable environment for asset managers to move centre stage. Because asset growth will be mainly driven by the rising demand of the retirement market, the growing importance of sovereign wealth funds and increasing wealth in emerging markets, asset managers will favour territories that can demonstrate a framework of long-term stability, transparency and a commitment to serving an international fund industry.

With a proven focus on providing experience and infrastructure to service the industry, Luxembourg is set to benefit from this period of transformation. More particularly, Luxembourg is well positioned to leverage on the increase in cross-border activity, both in terms of investment and distribution, and to play a central role. Furthermore, the Grand Duchy has the key attributes necessary to become the world's leading AIF (Alternative Investment Fund) platform, as it did with UCITS. This will in turn help alternative fund managers and institutional investors turn AIF regulations into an advantage rather than a burden.

There is no doubt that 2020 will be a different world for asset managers. Those who intend to succeed have already started to shape their responses to the game-changers that lie ahead. We are confident that many asset managers will be able to rise to the new challenges and benefit from them. We, at PwC Luxembourg, are ready to help our clients rise to the new challenges and benefit from this great opportunity by leading the way into a new era for asset management.

A handwritten signature in blue ink, appearing to read 'St Libby', with a long horizontal stroke extending to the right.

Steven Libby
Luxembourg Asset and Wealth
Management Leader



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Why Luxembourg?



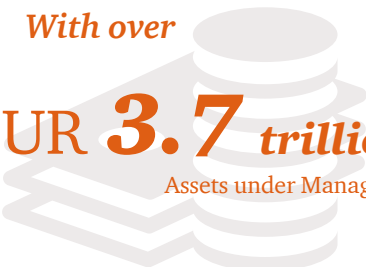


- *Welcome to the largest investment fund centre in Europe*
- *Luxembourg: 30 years of success in Asset Management*
- *Your gateway to the world*
- *Located at the heart of Europe*
- *Unmatched political and budgetary stability*
- *Government access and support*
- *A stable and rewarding tax environment*
- *An international and highly productive workforce*
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1. Why Luxembourg?

Welcome to the largest investment fund centre in Europe

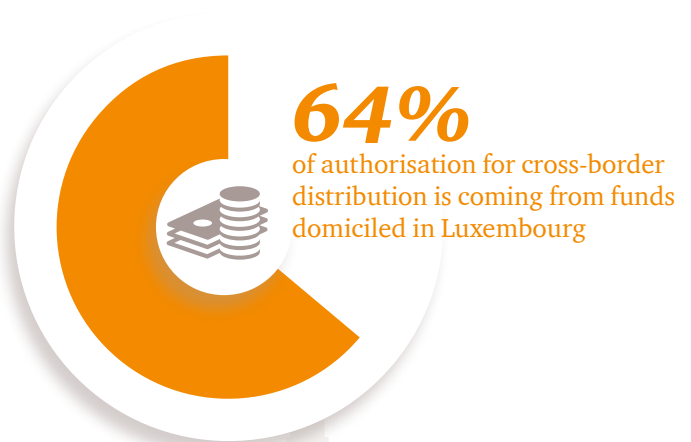
With over
EUR 3.7 trillion*
Assets under Management



Luxembourg is Europe's largest investment fund centre and the world's second largest after the US.

* CSSF, as of December 2016

Cross-border distribution leader



Luxembourg's position as a key domicile for internationally distributed funds began in 1988 when the first UCITS Directive was implemented into local law. Since then, Luxembourg has seen significant and consistent growth in both assets and fund numbers with a notable surge beginning at the turn of the century. This trend reflects the increasing attractiveness of Luxembourg as a hub for mainstream and alternative global fund products.

Historically, Luxembourg's success has been fuelled by its ability to offer an attractive platform for retail funds distributed in Europe and globally.

At PwC Luxembourg, we are confident that the expertise of the fund community, together with the business orientated environment and the long standing tradition of being a safe fund centre will allow the Grand Duchy to weather the regulatory storm. We are pleased to provide this summary of business and regulatory environment in Luxembourg for your information, and we stand ready to provide you with our support, whatever your needs may be.



Cross-border registrations

18,000 in 2001
96,549 in 2016
61,441 from Luxembourgish funds



Cross-border funds¹

3,260 in 2001
11,732 in 2016
6,229 domiciled in Luxembourg



Number of SIFs

227 in 2006
1,639 in 2016



Number of compartments

From

727 in 1990 to **14,283**
in September 2016

Domicile share of authorisations for cross-border distribution of ETFs, in June 2016



¹ Cross-border fund distribution: funds distributed in at least three countries, including their domicile country.

Welcome to the largest investment fund centre in Europe

EUR bn
AuM

3,741

2016

UCITS V is transposed into Luxembourg law.
Law of 23 July 2016 on Reserved Alternative Investment funds (RAIF).

3,095

2014

Luxembourg reaches record AuM of over 3 trillion euros representing an increase of 18.34% since 1 January 2014.
In January 2014, the first ever RQFII UCITS fund, allowing investors to access securities listed in Mainland China, has been launched in Luxembourg (this fund got authorisation from CSSF in November 2013).

2,615

2013

The AIFMD 2011/61/EU of 8 June 2011 has been implemented in Luxembourg law with the Law of 12 July 2013.

2,384

2012

The Luxembourg draft law transposing the AIFMD was submitted to parliament.

2,097

2010

UCITS IV is transposed into national law.

2,059

2007

MIFID is transposed into national law.
Law of 13 February 2007 on Specialised Investment Funds (SIF).

845

2002

The euro is introduced, replacing the Luxembourg franc.
The third UCITS Directive is transposed into national law.

167

1992

The Maastricht Treaty establishes the European Union.

103

1991

Law of 10 July 1991 on Institutional funds.

53

1988

Luxembourg becomes the first member state to transpose the European Directive for Collective Investments (UCITS).
The Association of the Luxembourg Fund Industry (ALFI) is established.

Your gateway to the world

- The world's biggest fund managers have chosen Luxembourg as their base for global distribution.
- More than 50 fund promoters from over 12 countries have chosen Luxembourg as their international hub.
- The main countries of origin for fund promoters are Germany, Switzerland, US, France and United Kingdom. The others originate from countries in Europe, Asia, the Middle East and the Americas.
- Luxembourg funds are distributed to over 74 countries in Europe, Asia, the Middle East and the Americas.

Luxembourg funds are exported to more than

70 countries

Ranking	Management Company	Total # of countries of distribution at group level (including domicile)	MAIN FUND DOMICILES AND NUMBER OF COUNTRIES OF DISTRIBUTION			
			First domicile and # of countries of distribution (cross-border)	Second domicile and # of countries of distribution (cross-border)	Third domicile and # of countries of distribution (cross-border)	Fourth domicile and # of countries of distribution (cross-border)

The table herewith shows the top 25 cross-border groups in Europe ranked by the number of countries into which they are selling.

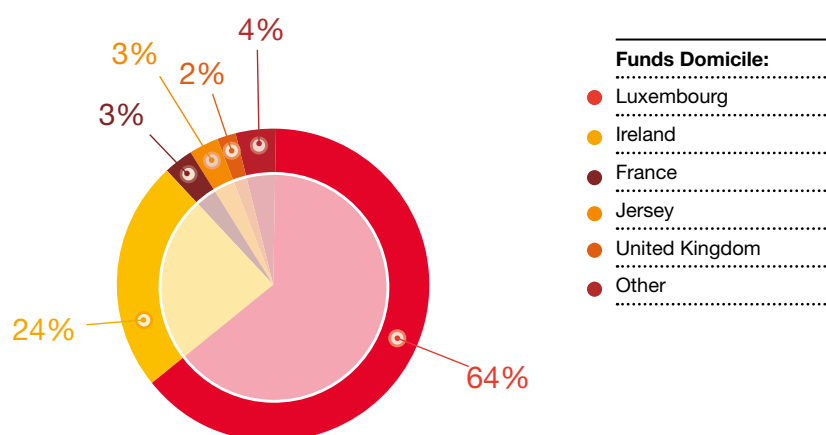
1	FRANKLIN TEMPLETON	52	LU	50	IE	3	US	2
2	HSBC	43	LU	39	IE	18	GG	5
3	BLACKROCK	42	LU	32	IE	24	DE	17
4	FIDELITY INTERNATIONAL	37	LU	36	IE	16	UK	10
4	JPMORGAN ASSET MANAGEMENT	37	LU	34	HK	6	MU	5
6	BNP PARIBAS	36	LU	34	FR	15	-	-
7	ALLIANZ GROUP	34	LU	33	IE	15	DE	8
7	UBS	34	LU	32	IE	20	DE	3
9	GAM	33	LU	27	IE	27	UK	4
10	DEUTSCHE BANK	31	LU	23	IE	23	DE	13
10	INVESCO	31	LU	28	IE	25	KY	2
10	PIONEER INVESTMENTS	31	LU	30	AT	2	-	-
10	SCHRODERS	31	LU	30	UK	4	HK	4
14	ABERDEEN ASSET MANAGEMNT	30	LU	29	UK	6	-	-
14	CAPITAL GROUP	30	LU	29	-	-	-	-
16	COMMONWEALTH BANK OF AUS	29	IE	20	UK	13	-	-
16	CREDIT SUISSE GROUP	29	LU	25	IE	10	KY	3
16	PICTET & CIE	29	LU	28	CH	2	-	-
19	AMUNDI GROUP	28	LU	26	FR	15	IE	6
19	LEGAL & GENERAL GROUP	28	UK	26	LU	11	-	-
21	BNY MELLON	26	IE	25	UK	10	-	-
21	HENDERSON GROUP	26	LU	25	UK	12	-	-
21	MASSACHUSETTS MUT LIFE	26	IE	25	UK	17	-	-
21	PIMCO	26	IE	25	-	-	-	-
25	LEGG MASON	25	IE	24	-	-	-	-
25	NN INVESTMENT PARTNERS	25	LU	24	-	-	-	-
25	PINEBRIDGE	25	IE	24	-	-	-	-
25	PRUDENTIAL	25	UK	19	LU	14	-	-

Ranking according to the total number of country registrations for all cross-border funds* of each group.

*fund distributed in more than X countries in addition of his country of domiciliation.

Sources: Lipper LIM and PwC analysis, 31 December 2016.

Domicile share of authorisations for cross-border distribution



Top 5 destinations of leading fund domiciles:

Luxembourg

Registrations in:	
Germany	4,928
Switzerland	4,431
Austria	4,395
France	4,294
United Kingdom	3,651

Ireland

Registrations in:	
United Kingdom	2,447
Germany	2,141
France	1,992
Switzerland	1,710
Netherlands	1,689

Located at the heart of Europe

Luxembourg is within driving distance of all major European business centres. Around 40% of the European Union's wealth is concentrated in a 500km area around Luxembourg. When extended to 700km, this figure rises to around 70%.



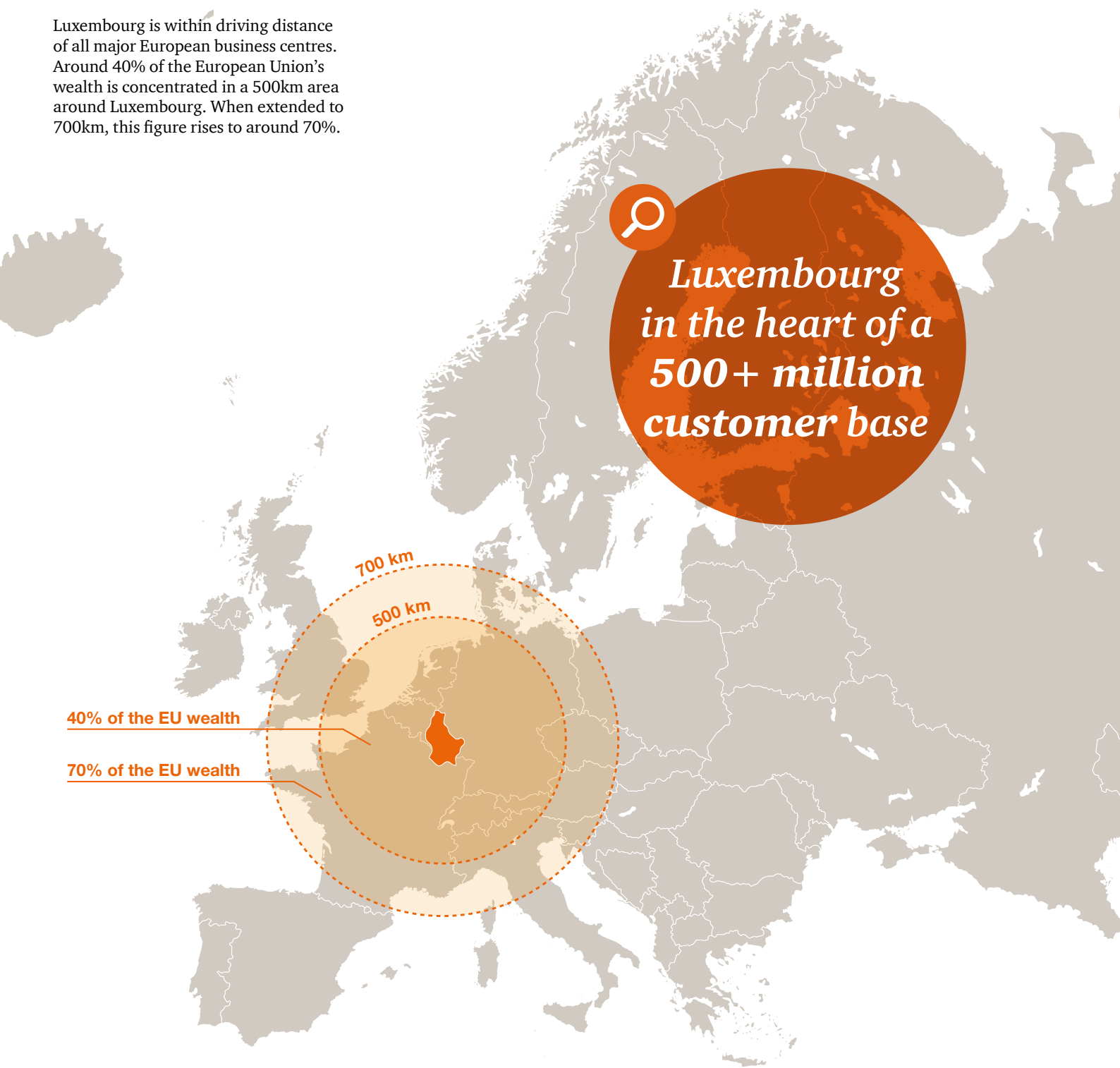
**Luxembourg
in the heart of a
500+ million
customer base**

40% of the EU wealth

70% of the EU wealth

700 km

500 km



Unmatched political and budgetary stability

Luxembourg is famous for its long-standing political stability and has one of the lowest debt to GDP ratio in the EU (22.0% vs 84.3% for the EU28). The country credit trustworthiness is rated at AAA by Standard and Poor's.

Source:

- Lux Debt to GDP ratio | 22.0 | Eurostat, as of end Q2 2016, Government consolidated gross debt
- EU Debt to GDP ratio | 84.3 | Eurostat, as of end Q2 2016, Government consolidated gross debt EU 28
- Lux rating | AAA

Government access and support

The Luxembourg government has always had an open and friendly ear for the various business players. The authorities are accessible, officials are easy to contact and open to dialogue. This close relationship between the government and the business community will allow Luxembourg to further strengthen its position as the most attractive fund centre.

A stable and rewarding tax environment

Total Tax Rate

Luxembourg ranks 16 out of 189 economies analysed in the "Paying Taxes 2017" survey led by PwC and the World Bank. Luxembourg's low percentage is explained by the availability of important tax credits for investments in fixed assets which offset the corporate income tax liability of a company.

Stability

With public finance sitting comfortably within EU stability and Growth Pact requirements, Luxembourg will maintain as one of the most attractive tax regimes in Europe.

Personal tax

Personal taxation and social-security regimes are very competitive compared to other European countries; there are many allowances, deductions, and exemptions in the Luxembourg income tax regime.

VAT

Luxembourg has always applied the lowest rates in the EU. The difference rates applicable are: 3%, 8%, 14% and 17%, according to the goods or services purchased.

Although Luxembourg raised these rates as of January 2015, they remain the lowest throughout Europe.

Double tax treaties

Luxembourg has signed, and continues to sign, a large number of treaties with EU and non-EU countries to avoid double taxation of individuals and companies resident for tax in another country. So far, Luxembourg has entered 77 treaties.

Snapshot of business taxes

Tax area	Rates	
Corporate Tax	27.08%*	Income tax
	0.5%	Net wealth tax
	0%-15%	Withholding tax
Value Added Tax (VAT)	3%	Applies to food, hotels, restaurants, medical, entertainment, etc.
	8%	Applies to domestic services
	14%	Applies to the supply of certain items, i.e. solid mineral fuel and mineral oil, custody and management of securities
	17%	Standard rate
Individual Tax	0% - 45.78%	Individual income tax (as from 2017, the maximum individual income tax rate is supposed to rise to 45.78%)
Intellectual Property (IP)	80%	Exemption for net income derived from certain IP rights

* The (overall) corporate tax rate is 27.08% in 2017, and is expected to be subsequently decreased to 26.01% in 2018.



An international and highly productive workforce

46.7% of Luxembourg residents are not originally from Luxembourg.

Each day, around 167,000 people commute to Luxembourg.

A defining characteristic of the Grand Duchy of Luxembourg is the diversity of its people and the **ease of integration** into the community.

The labour market in Luxembourg offers a pool of highly skilled and multilingual resources from Luxembourg as well as France, Germany and Belgium.

The integration of foreigners is very easy, with easy as **Luxembourgish, French and German spoken as the three official languages. Furthermore, around 75% of Luxembourgers speak English.**

Luxembourg's quality of living, social security coverage, fine public infrastructure, rewarding packages and ideal gateway to European careers have attracted highly skilled profiles.

Luxembourg in a nutshell

Unmatched political and budgetary stability

Located at the heart of Europe

Government access and support

A stable and rewarding tax environment

European largest fund domicile and world's second largest fund centre after the US

An international and highly productive workforce with a sound expertise in all aspects of the fund life cycle

Luxembourg's national debt has been one of the lowest in Europe over the last three years (22.0% of GDP in Q2 2016)

One of the lowest unemployment rates in Europe (6.3% in December 2016)

Source:

- Lux unemployment rate | 6.3 | Statistics Portal, Grand Duchy of Luxembourg, as of December 2016
- Lux debt to gdp | 22.0 | Eurostat, as of Q2 2016, Government consolidated gross debt



bourg
my city



luxembourg
meng stad · ma ville · my city



luxembourg
meng stad · ma ville · my city



luxembourg
meng stad · ma ville · my city

2

Building your strategy





2.1. The right location is part of the right strategy

- Location
- Products
- Distribution channels
- Target investors

2.2. Legal structures of Luxembourg regulated investment vehicles

- In a nutshell
- Comparative table
- Details per structure
 1. Legal framework
 2. Legal forms
 3. Investors
 4. Type of securities that may be issued to investors
 5. Ongoing subscription and redemption of shares/units
 6. Structuring of capital calls
 7. Minimum capital requirement, compartments and classes
 8. Management Company and compulsory service providers in Luxembourg
 - Management Company and “self-managed SICAV” status
 - AIFM and the “internally-managed AIF” status
 - Central administration
 - Depositary bank
 - External auditor
 9. Frequency of NAV calculation and valuation principles
 10. Distribution channels
 11. Fund taxation
 12. Tax treaties
 13. VAT on services provided

2. Building your strategy

2.1. The right location is part of the right strategy

All good things start with a solid strategy. To design the most efficient strategy to create, maintain and successfully distribute an investment fund that meets your long term business objectives, you need to identify and evaluate many different and often competing factors. For example, the type of fund structure that would best suit both the investment strategy you wish to adopt and that of the local distributors, and/or local target investors; the target

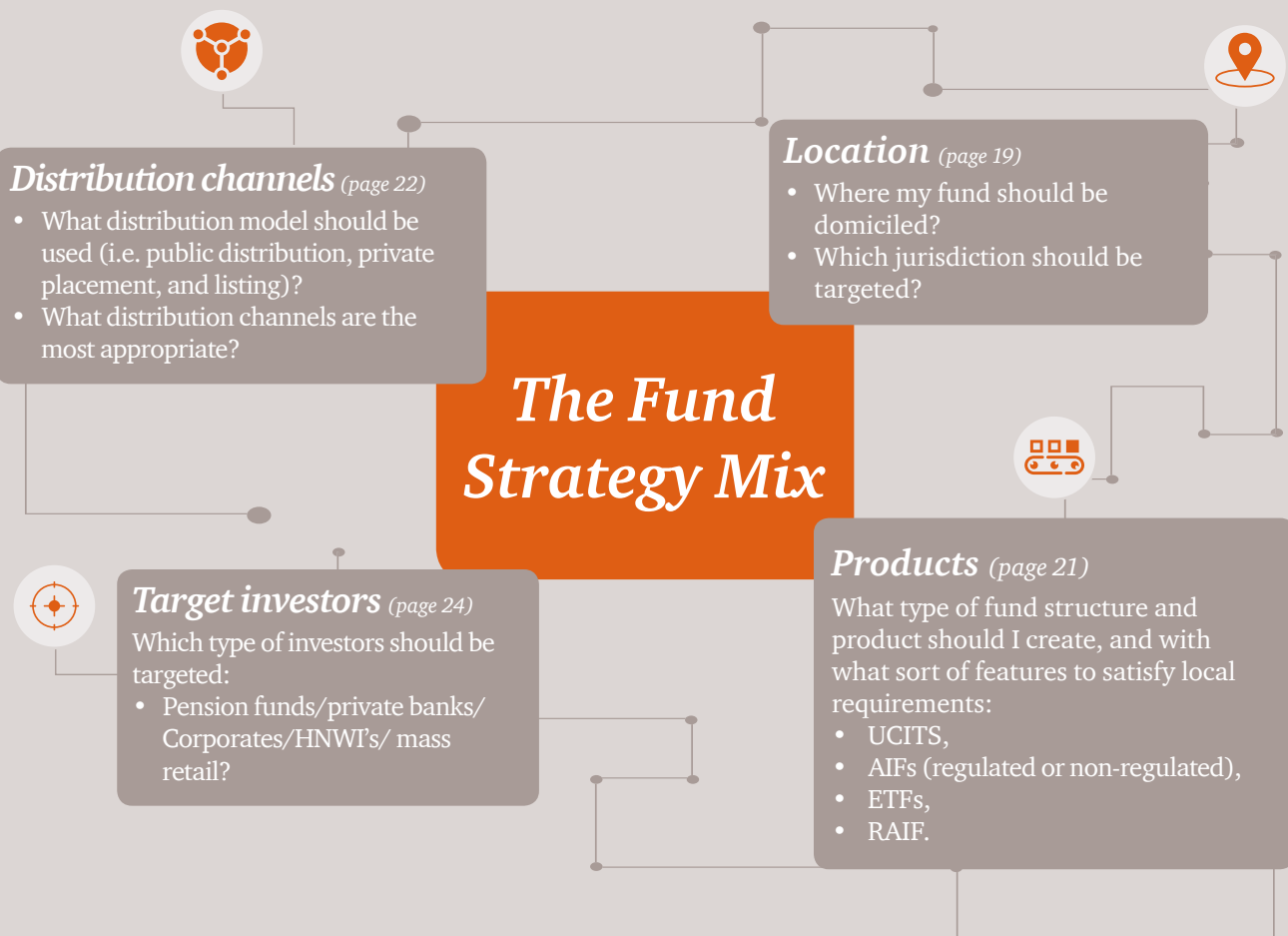
market that would provide the best chance of a successful sale; even the specific local requirements that exist in each of the targeted local markets.

A robust and well-designed strategy is one that could accommodate all the needs and maximise your opportunities for long-term success. A good strategy often features the following elements:

Nothing good happens by accident

Ken Blanchard,
“The 1 minute entrepreneur”

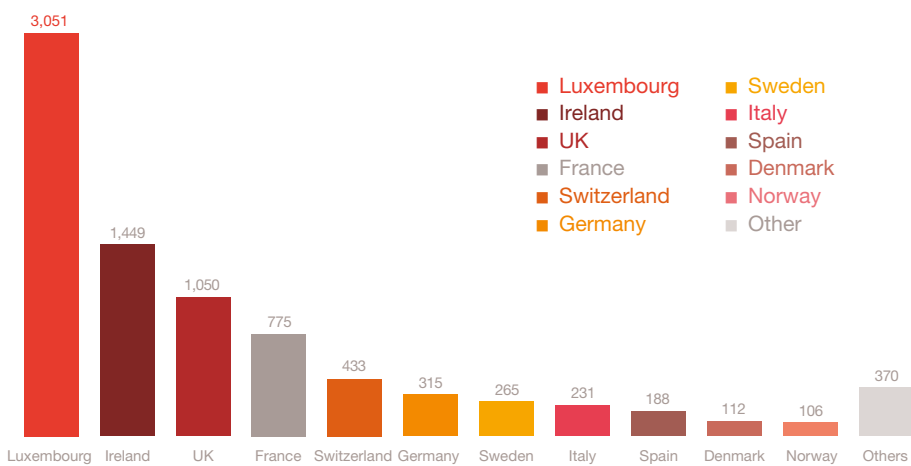
The Fund Strategy Mix



Location

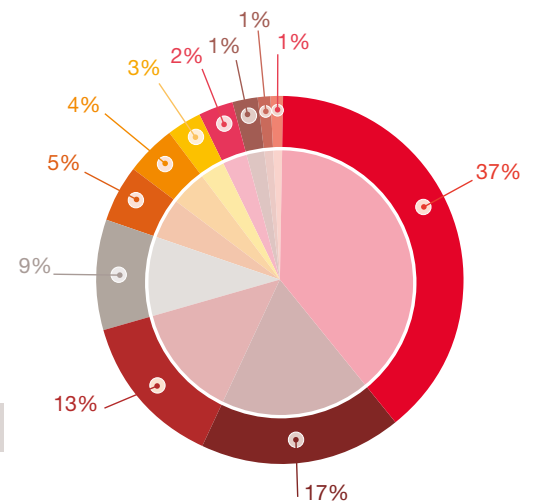
Net Assets of the European UCITS industry

European fund asset domiciles (UCITS) (mio Euros)



Source: EFAMA, data as of Q3 2016

UCITS % market share in Europe



Over the years, Luxembourg based funds have become synonymous to the UCITS brand and of their cross-border distribution.

The selection of an ideal location in which to create and base your investment fund before targeting foreign markets is the starting point of a robust and efficient long-term distribution strategy. The initial market selection is critical. This is because any attempt to change the domicile of an investment fund at a later stage, whilst possible, is time consuming, administratively difficult and costly.

For more than 30 years, Luxembourg has proven to be the ideal location of choice for fund domiciliation within Europe and a centre for funds that are sold cross-border across the world. Not only is Luxembourg the second largest fund domicile in the world, after the US, and Europe's leading centre for fund domiciliation, it's also the world's number one in terms of the number of fund domicile for cross-border fund distribution. This long-term leading position is due to a myriad of interconnected factors, including:

- **Reputation for market oriented public policy;**
- **Robust regulatory framework of EU laws;**
- **Economic and political stability;**
- **Tax efficiency and neutrality;**
- **Service provider specialisation;**
- **Full focus on exporting fund solutions.**

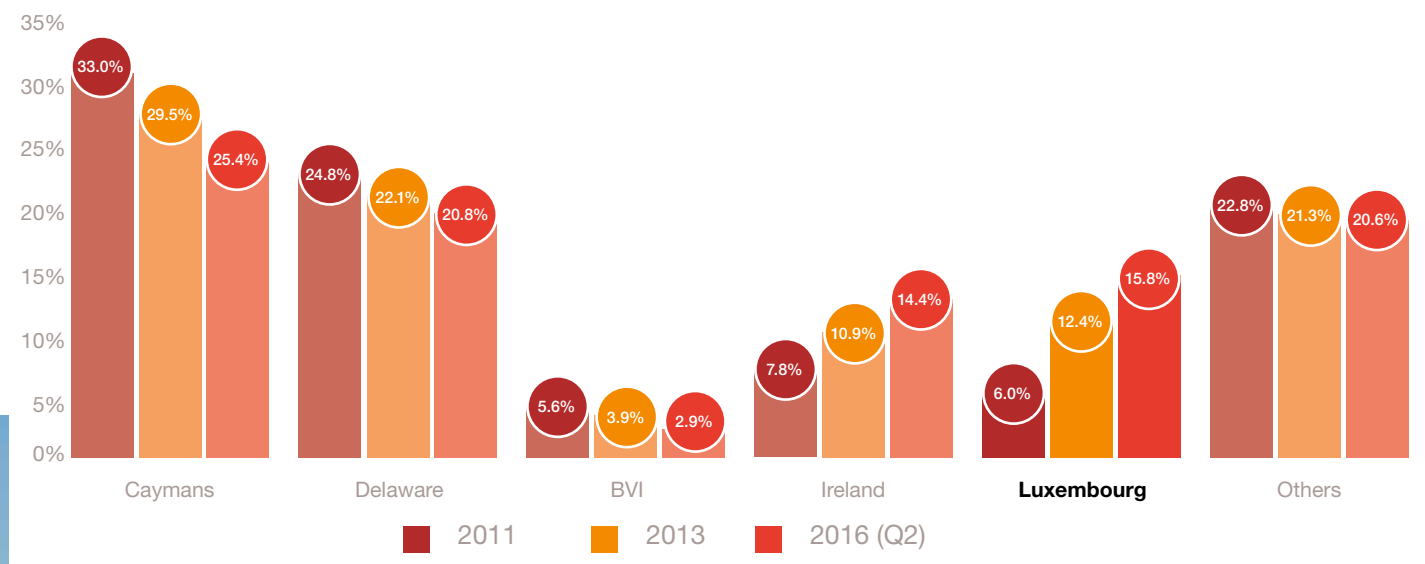
Another key factor that contributed to Luxembourg's continued success in cross-border funds is its small internal market. While all other large countries shape their fund industry based on their internal market and constraints, Luxembourg's small domestic market has permitted the government and the fund industry to focus its tax, regulatory and business policies almost exclusively on the exportation or cross-border sales of investment funds. This thus developed an investment fund environment almost focused solely on cross-border fund distribution. For example, Luxembourg was the first country to fully implement the original 1985 UCITS Directive in 1988. It has since developed a large multi-lingual labour force and ability to service and assist with the distribution of funds from and in different jurisdictions. In addition to this, the country's fund tax treatment and EU based regulatory environment is malleable enough to allow fund promoters to quickly adapt their fund ranges. This allows for a swift response time to the ever changing investor demands and market requirements.

Due to its internal market size and strong working commitment of all key stakeholders, Luxembourg is able to respond extremely quickly to market developments and the ever changing needs of asset managers. The confidence that the global asset management industry has in Luxembourg is demonstrated by the fact that Luxembourg hosted 49 of the 50 top cross-border fund managers.

Evolution of alternative funds domiciled and administered in Luxembourg

Luxembourg has developed a strong track record in alternative investment products and bespoke investment structures such as hedge funds, funds of hedge funds, private equity vehicles and real estate funds, managing more than 500 billion EUR in alternative assets.

% of hedge funds by main country of domicile



Products

The appetite for financial products often varies considerably from one local jurisdiction to another, depending on cultural norms, historical developments, local regulations and, often, different tax treatments that favour one type of financial product over another. All of these factors should be taken into account in order to create and support your distribution strategy. Another key issue to consider is if your product will be distributed on a multi-jurisdictional basis, and if so, what different investors in different target markets looking for. For example, products that accumulate income, distribute income, provide hedging, and guarantee capital, etc. Finding the right balance between appealing to investors in foreign markets and not over complicate a product is imperative to the long-term success of your fund.

The latest available statistics show that towards the end of 2012, the weight of UCITS funds was considerably higher than that of non-UCITS funds. The latter were not originally regulated or subjected to the EU passporting rules. After the 2008 financial crisis, regulated funds and managers have become more important. The idea behind the introduction of the AIFMD is that regulated hedge funds could also benefit from an EU passport. Over the last few years, there has been an increasing number of alternative funds launched as SIF in Luxembourg. The AIFMD has, in the last few years, created a brand of its own that could rival UCITS. The recent introduction of RAIFs in Luxembourg law shall reinforce this evolution.

The following fund products are mainly used in Luxembourg from a global distribution perspective:

	Undertakings for Collective Investment in Transferable Securities (UCITS)	Alternative Investment Funds (AIFs)	Exchange traded funds ("ETFs") ²	RAIF
Definition	Undertaking the sole object of which is the collective investment in transferable securities and/or in other liquid financial assets of capital raised from the public and which operates on the principle of risk-spreading and the units of which are, at the request of holders, re-purchased or redeemed, directly or indirectly, out of those undertakings' assets ³ .	Vehicle (other than UCITS) which raises capital from a number of investors with a view of investing it in accordance with a predefined investment policy ⁴ .	Investment vehicle structured to enable investors to track a particular index through a single instrument that can be purchased or sold on a stock exchange.	The Reserved Alternative Investment Fund (RAIF) vehicle combines the characteristics and structuring flexibilities of Luxembourg regulated specialised investment funds (SIFs) and investment companies in risk capital (SICARs) qualifying as AIFs managed by an authorised AIFM, except that RAIFs are not subject to CSSF approval before they are launched.
Main characteristics	<ul style="list-style-type: none"> It targets the widest range of investors possible. 	<ul style="list-style-type: none"> An AIF can be set up as regulated or non-regulated investment vehicle. More flexible regime as regard to legal form and investment restriction rules. 	<ul style="list-style-type: none"> Easy set-up, as a UCITS fund, in most cases; ETFs have both the characteristics of an investment fund, such as low costs and broad diversification, but also characteristics more commonly associated with equities, such as access to real time pricing and trading. 	<ul style="list-style-type: none"> Regulated but not supervised; All investment types possible; Umbrella structure and multiple classes available; Sales prospectus necessary.
Why?	<ul style="list-style-type: none"> Can be offered to a very extensive range of investors; Greater transparency than other products; UCITS regulations are unique and strong; Enhanced risk controls⁵; Defined level of investor protection through strict investment limits; Easy and to a large extent harmonised distribution regime. 	<ul style="list-style-type: none"> Increased monitoring of systemic risks and increased transparency; Ensures enhanced investor protection for alternative products; Can be marketed to professional investors within the EU Member States through the marketing passport regime. 	<ul style="list-style-type: none"> High product transparency, flexibility as a portfolio management instrument, and low total expense ratio; Quick and easy investor access to the capital market, as ETFs can be purchased on the stock market just like shares, and they can be traded daily during trading hours, and more control as investors can place limit or stop-loss orders; Tax efficient instruments that require only the market price of one share as capital investment. 	<ul style="list-style-type: none"> EU passport for professional investors distribution; Valuation principles: determined by constitutive documents, otherwise fair value; Segregated liability between sub-funds; Ability to have a Master-Feeder structure.
Who are the target investors?	No restrictions.	Sophisticated investors (professional investors, High Net Worth Individuals).	Retail and institutional investors, depending whether the ETF is set up as UCITS or AIF.	Institutional investors, professional investors and well-informed investors.

² "Being distinctive Exchange Traded Funds", PwC Luxembourg, 2010.

³ European Directive 85/611/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).

⁴ "The AIFMD outside the EU Why non-EU managers should gear up for the AIFMD", PwC Luxembourg.

⁵ "UCITS Handbook - How to Set up, Monitor, Manage and Distribute a UCITS Fund", ISTE Ltd and John Wiley and Sons, Inc, p.236-237.

Distribution channels

After determining the appropriate fund structure you intend to offer, the next step is to contemplate on how to enter a specific target distribution market, taking into account local and international regulations such as MiFID II.

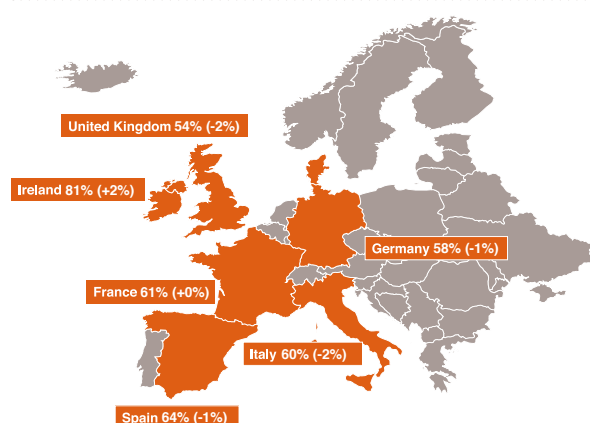
Selling your funds can be undertaken through different types of distribution methods, strategies and specific channels of marketing. Generally speaking, there are three methods to entering target markets:

Products	UCITS and AIFs	UCITS and AIFs	ETFs (mainly set-up as UCITS or AIFs)
	Public distribution	Private placement	Listing
Main characteristics	<p>Both the UCITS and AIFM Directives introduced the concept of "marketing passport". While the UCITS Directive focuses on granting the passport on the product, the AIFMD grants this marketing passport to the fund manager.</p> <p>The initial registration process of UCITS and AIFs in other EU Member States is a relatively quick process Home-Host regulators notification process - 10 days for UCITS and 20 days for AIFs.</p>	<p>A private, non-public sale between an investment fund and an individual investor, usually outside of the regulatory framework governing public distribution or marketing.</p>	<p>Admission and trading of securities and funds on a regulated market.</p>
Degree of harmonisation at European level	<p>Under the UCITS Directive, the notification procedures are broadly harmonised for EU wide distribution. However, there are still many differences in the local marketing arrangements in each EU Member State that must be complied with (apart from the various tax reporting requirements in some jurisdictions). For example, there are many EU Member States which require the appointment of a local paying agent. The same can apply to AIFs marketed within the EU. These discrepancies and the barriers to entry they generate are now well recognised and are being dealt with at the ESMA and European levels.</p> <p>Outside the European Union, UCITS and AIFs must comply with local regulations regarding public distribution of foreign funds. These local regulations will vary from one country to another, it is not a regulator-to-regulator process, but it is fair to say that the registration process to be authorised in order to publicly sell a UCITS outside the EU is usually significantly more complex, time consuming and ultimately costly, than the "notification" process governed by the UCITS Directive for EU Member States. However, in some non-EU jurisdictions, such as the acceptance of the UCITS brand that in many jurisdictions UCITS have a "lighter" authorisation process than the non-UCITS equivalent investment funds.</p>	<p>Along with the implementation of the AIFMD came the termination of the private placement regime in most of the European countries. However, some countries still offer the possibility for private placement under strict rules and without going through any notification procedure towards the regulator. These rules often depend on the number of investors to which the placement is made and on the amount offered. Each jurisdiction is then able to apply national rules to govern such distribution.</p> <p>Furthermore, as the marketing passport is not available to Non-EU funds or managers, the AIFMD provides the possibility to be marketed without a passport. This regime, named National Private Placement Regime, is however not to be considered as private placement, as there is a requirement to perform a notification procedure to the host regulator prior starting the marketing.</p>	<p>The pre-requisite for listing, is the authorisation for public distribution in the selected jurisdictions.</p>
Target investors	<p>UCITS - All types of investors – Retail, professional and institutional.</p> <p>AIFs – Institutional and Professional investors / Retail investors also possible depending on the targeted country.</p>	<p>Mainly Institutional / Professional investors even though some countries allow private placement towards retail investors either under specific rules or through reverse solicitation.</p>	<p>All types of investors - Retail and professional.</p>
How?	<p>1/ Direct Selling model: The Luxembourg Management Company targets investors directly, without intermediaries, through its sales force.</p> <p>2/ Indirect Selling model: The Luxembourg Management Company appoints an intermediary, such as private bank, insurance company, broker, etc., to target investors through:</p> <ul style="list-style-type: none"> A global distributor the Management Company delegates to one global distributor dealing with its local network of banks, insurers, etc.; Several local intermediaries the Management Company enters into agreements with local entities of the same group or external third parties; A combination - global distributor + local entities when the network of the global distributor is insufficient. 	<p>Direct client interfacing, no local agent, no financial intermediary.</p>	<p>Once approval for public distribution has been obtained, the issuer must prepare an authorisation and/or listing application file (the complexity of which depends on the targeted country) and submit it to the local stock exchange for validation.</p> <p>Both UCITS and AIFs can be listed on the Luxembourg Stock Exchange, as well as on other European exchanges - London Stock Exchange, Frankfurt Börse, Paris Stock Exchange, Amsterdam Stock Exchange and Zürich Stock Exchange, as examples.</p>

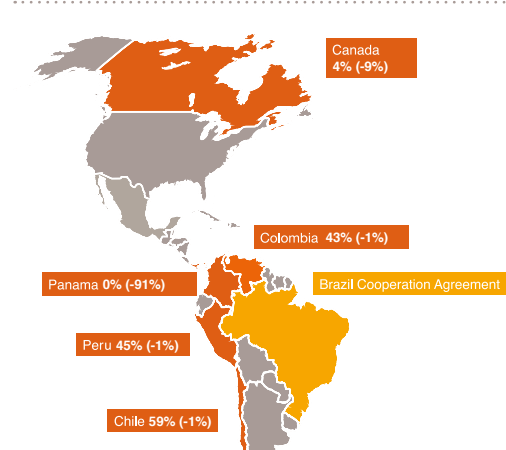
UCITS: a worldwide recognised brand

Worldwide presence of Luxembourg funds

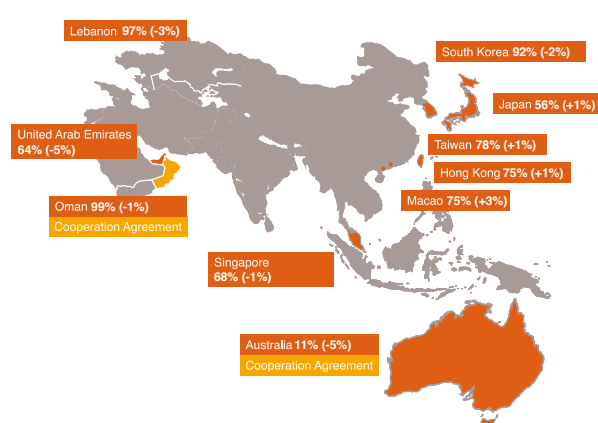
Focus on Europe



Focus on Americas



Focus on Asia and Middle East



■ Europe
 ■ Asia Pacific
 ■ Middle East
 ■ Americas
 ■ Africa

Country	Proportion	Growth
Andorra	100%	0%
Austria	65%	-1%
Belgium	75%	-1%
Bulgaria	86%	-2%
Cyprus	94%	-1%
Czech Republic	81%	1%
Denmark	60%	-2%
Estonia	96%	2%
Faroe Islands	100%	0%
Finland	62%	-3%
France	61%	0%
Germany	58%	-1%
Gibraltar	85%	1%
Greece	94%	0%
Greenland	100%	0%
Guernsey	57%	2%
Hungary	95%	0%
Iceland	89%	0%
Ireland	81%	2%
Isle of Man	48%	-5%
Italy	60%	-2%
Jersey	74%	1%
Latvia	92%	1%
Liechtenstein	81%	-3%
Lithuania	96%	2%
Malta	89%	-2%
Monaco	40%	15%
Netherlands	58%	-3%
Norway	67%	-3%
Poland	95%	0%
Portugal	71%	0%
Romania	79%	10%
San Marino	100%	100%
Slovakia	79%	2%
Slovenia	56%	3%
Spain	64%	-1%
Sweden	62%	-2%
Switzerland	64%	-1%
United Kingdom	54%	-2%

Country	Proportion	Growth
Australia	11%	-5%
Brunei Darussalam	100%	0%
Hong Kong	75%	1%
Japan	56%	1%
Korea	92%	-2%
Macao	75%	3%
New Zealand	25%	-25%
Singapore	68%	-1%
Taiwan	78%	1%

Country	Proportion	Growth
Bahrain	75%	-1%
Jordan	0%	-100%
Kuwait	75%	-25%
Lebanon	97%	-3%
Oman	99%	-1%
Qatar	98%	-2%
Saudi Arabia	50%	50%
Turkey	100%	8%
United Arab Emirates	64%	-5%

Country	Proportion	Growth
Canada	4%	-9%
Chile	59%	-1%
Colombia	43%	-1%
Curacao	100%	0%
Panama	0%	-91%
Peru	45%	-1%
Trinidad & Tobago	0%	-98%

Country	Proportion	Growth
Botswana	100%	0%
Mauritius	94%	-6%
South Africa	55%	0%

Sources: Lipper LIM and PwC Luxembourg analysis, 31 December 2016

Cooperation Agreement *Inter-state arrangement for facilitating the cross-border offering of collective investment schemes.*

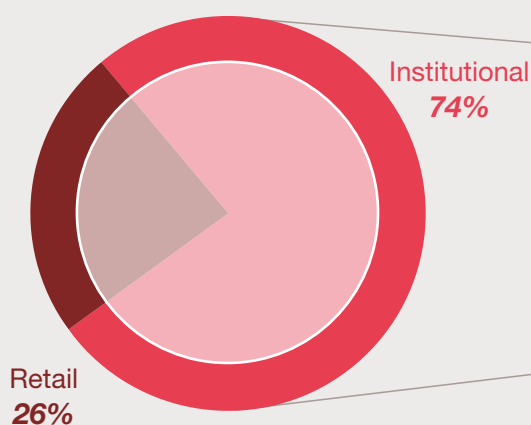
Cross border registrations of Luxembourg funds

% Registrations of Luxembourg cross border funds as a percentage of total cross border fund registrations in each market

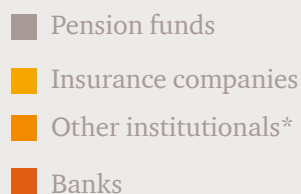
(%) Percentage change in the number of Luxembourg cross border fund registrations between 2014 and 2016

Target investors

Total AuM by investor type



Institutional investors breakdown



From EFAMA "Asset Management in Europe" report published in April 2015

* The other institutional investors are usually defined as foundations, charities, governments, central banks, sovereign wealth funds, etc.

Generally speaking, investment funds that qualify as UCITS can be offered to all types of investors, main categories being institutional and retail clients.

Institutional clients consist of a broad range of investors as depicted above. Despite the large number of investors that fit into this category, institutional investors are composed of insurance companies and pension funds. Overall, these two investor types account for 69% of the total AuM in Europe in 2013.

The retail investor segment tends to be dominated by households, often referred to as "mass retail", mass affluent and high net worth individuals.

The most appropriate distribution channel to target such investors depends on the type of investor. For example, retail UCITS products are most commonly distributed via large networks of retail banks and private bank offices. The use of fund platforms to facilitate the sale of UCITS has grown considerably over the past 10 years. These "platforms" are, in reality, an intermediate entity connecting the fund to the end investor. Retail clients are more than often accessed indirectly, via the so-called "unit linked funds" which are offered by the insurance industry.

This distribution channel is sustained by the different national tax incentives/tax relief at the UCITS level. Furthermore, one type

of channel that has developed over the past five years is that of boutique intermediaries (targeting professional and institutional investors). This third party distribution channel is formed by experienced industry professionals who, among others, also advise their clients on specific fund structures, sales strategies and targeted fund distribution. They also offer tailored solutions to asset managers.



2.2. Legal structures of Luxembourg investment vehicles

In a nutshell

Investment vehicles characteristics	UCITS	Part II UCI	SIF	SICAR	RAIF
An “onshore” investment vehicle subject to CSSF supervision.	X	X	X	X	
Allowing investment in any type of asset.		X	X		X*
Opened to all types of investors in Luxembourg (i.e. no competency or minimum investment requirement).	X	X			
Benefiting from less stringent regulatory requirements (as it is dedicated to institutional, professional and other well-informed investors).			X	X	X
Allowing investment in any type of private equity asset and not subject to investment risk diversification requirements.				X	X**
Benefit from passport for public distribution in EU member states.	X				
Benefit from passport for distribution to professional investors in EU member states		X	X	X	X
Not subject to corporate income tax	X	X	X		X***

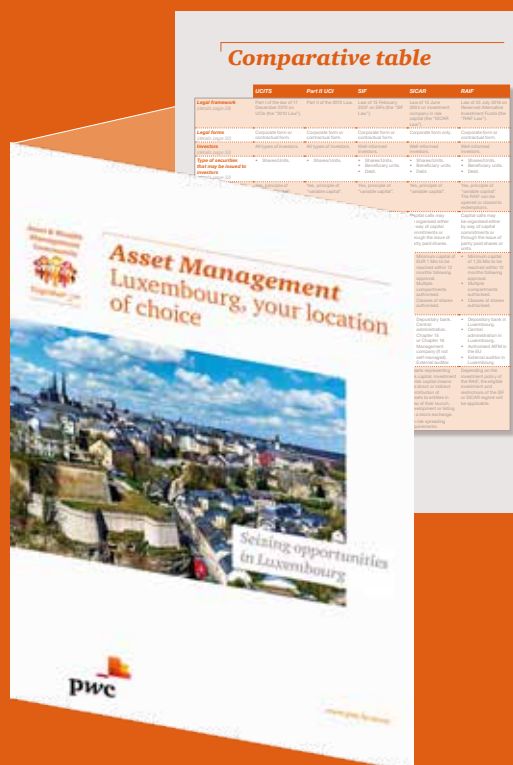
* Except where the RAIF's objective is to invest its funds in assets representing risk capital.

** To the extent that the RAIF's objective is to invest its funds in assets representing risk capital.

*** Except where the RAIFs objective is to invest its funds in assets representing risk capital.

The comparative table enclosed gives an overview of the legal structures of Luxembourg regulated investment vehicles. To learn more about a specific topic in the table insert, please refer to the indicated page of this brochure.

Comparative table insert



This document is also available online:



<http://www.pwc.lu/en/asset-management/docs/pwc-am-comparative-table.pdf>

Details per structure

1. Legal framework

Asset Management laws in Luxembourg:

UCITS

Part I of the UCI Law

Part II UCI

Part II of the UCI Law

AIF

In addition, the main CSSF regulations and circulars to be considered per investment vehicle are the following:

- CSSF Circular 16/644 on UCITS depositaries;
- CSSF Regulation 10-05 on fund mergers, master-feeder structures and notification procedures;
- CSSF Regulation 10-04 on organisational requirements, conflicts of interests, conduct of business, risk management and content of agreement between a depositary and a Management Company;
- CSSF Circular 13/559 on ESMA guidelines on ETFs and other UCITS issues;
- CSSF Circular 12/546 on the authorisation and organisation of Luxembourg UCITS Management Companies or self-managed UCITS;
- CSSF Circular 11/512 on the presentation of the main regulatory changes in risk management following the publication of CSSF Regulation 10-4 and ESMA clarifications;
- CSSF Circular 08/380 regarding CESR guidelines concerning eligible assets for investments by UCITS;
- CSSF Circular 11/509 on notification procedures for Luxembourg UCITS wishing to market their units in another EU Member State and by UCITS of another Member State wishing to market its UCITS in Luxembourg;
- CSSF Circular 02/77 on the protection of investors in case of NAV calculation error or breach of investment;
- IML Circular 91/75 clarifying certain aspects of the UCI legislative framework, as amended by CSSF Circular 05/177.

- CSSF Circular 15/631 on dormant or inactive accounts;
- CSSF Circular 15/627 on the new monthly reporting to the CSSF;
- CSSF Circular 15/611 on managing of the risk related to the outsourcing of systems that allow the compilation, distribution and consultation of management board/ strategic documents;
- CSSF Circular 14/591 on protection of investors in case of a material change to an open-ended fund;
- CSSF Circular 12/548 on short selling and certain aspects of credit default swaps;
- CSSF Circular 12/540 on non-launched compartments, compartments awaiting reactivation and compartments in liquidation;
- Circular CSSF 08/356. Rules applicable to undertakings for collective investment when they employ certain techniques and instruments relating to transferable securities and money market instruments;
- Circular CSSF 04/146. Protection of undertakings for collective investment and their investors against Late Trading and Market Timing practices;
- Circular CSSF 03/88. Classification of the undertakings for collective investment governed by the provisions of the Law of 20 December 2002 concerning undertakings for collective investment;
- Circular CSSF 02/80. Specific rules applicable to Luxembourg undertakings for collective investment (UCIs) pursuing alternative investment strategies;
- CSSF Circular 02/77 on the protection of investors in case of NAV calculation error or breach of investment;
- Circular IML 91/75 clarifying certain aspects of the UCI legislative framework (as amended by Circular CSSF 05/177).

- CSSF Circular 15/631 on dormant or inactive accounts;
- CSSF Circular 15/627 on the new monthly reporting to the CSSF;
- CSSF Circular 08/356 on the use of securities lending, "réméré" and repo transactions;
- CSSF Circular 02/77 on the protection of investors in case of NAV calculation error or breach of investment;
- IML Circular 91/75 clarifying certain aspects of the UCI legislative framework, as amended by CSSF Circular 05/177.

SIFs

The SIF Law

- CSSF Circular 15/631 on dormant or inactive accounts;
- CSSF Circular 15/627 on the new monthly reporting to the CSSF;
- CSSF Circular 15/611 on managing of the risk related to the outsourcing of systems that allow the compilation, distribution and consultation of management board/ strategic documents;
- CSSF Regulation 15-07 relating to risk management and conflicts of interest for specialised investment funds;
- CSSF Circular 12/540 on non-launched compartments, compartments awaiting reactivation and compartments in liquidation;
- CSSF Circular 08/372 on guidelines for depositaries of SIFs adopting alternative investment strategies, where those funds use the services of a prime broker;
- CSSF Circular 07/309 on risk diversification requirements applicable to SIFs.

SICARs

The SICAR Law

- CSSF Circular 15/631 on dormant or inactive accounts;
- CSSF Circular 15/611 on managing of the risk related to the outsourcing of systems that allow the compilation, distribution and consultation of management board/ strategic documents;
- CSSF Regulation 15-08 relating to management of conflicts of interest for SICARs;
- CSSF Circular 15/627 on the new monthly reporting to the CSSF;
- CSSF Circular 12/548 on short selling and certain aspects of credit default swaps;
- CSSF Circular 08/376 on financial information to be submitted by SICARs;
- CSSF Circular 06/241 on the concept of risk capital under the SICAR Law.

RAIFs

The RAIF Law

- Not supervised by CSSF but need to appoint an authorised AIFM.

2. Legal forms

Luxembourg investment vehicles, can be set up under a contractual (FCP) or a corporate form (SICAV/SICAF), except for SICAR, which needs to be set up under the corporate form.

- The corporate form is represented by the investment company with variable (the “SICAV”) or fixed capital (the “SICAF”) and is available for all types of vehicles. SICAVs are investment vehicles whose articles of incorporation provide that the amount of capital is at all times equal to the net asset value (the “NAV”). The capital increases or decreases automatically as a result of subscriptions or redemptions. Investors in a SICAV are “shareholders” and, as such, have a right to vote in shareholders’ meetings in addition to their economic rights. As an alternative, an investment vehicle may also be structured as a SICAF, being an investment vehicle with fixed capital. However, the SICAF form is rarely used because of the formalities linked to the increase/decrease of the vehicle’s capital.
- The FCP is an undivided collection of assets, managed by a Management Company/AIFM on behalf of joint owners called “unitholders”. Legally speaking, it is established by a contract between the Management Company/AIFM and the depositary bank, which create “management regulations”. Investors, in the form of unitholders, buy units issued by the Management Company/AIFM which represent a portion of the FCP managed and, by doing so, become a party to the contract. The units so acquired represent their right in the undivided collection of assets. Their liability is limited to the amount of their contribution.

Aside from that, each of these Luxembourg investment vehicles may be structured as a stand-alone vehicle or as an umbrella vehicle with multiple compartments (or sub-funds in the case of investment funds) having segregated assets and liabilities.

The below table provides an overview of the possible corporate forms for Luxembourg investment vehicles.

	Corporate forms	UCITS	Part II UCI	SIF	SICAR	RAIF
Variable capital	S.A.	Yes	Yes	Yes	Yes	Yes
	S.C.A.	No	No	Yes	Yes	Yes
	S.C.S. (simple)	No	No	Yes	Yes	Yes
	S.à r.l.	No	No	Yes	Yes	Yes
	S.C.S. (spéciale)	No	No	Yes	Yes	Yes
Fixed capital	S.A.	Yes	Yes	Yes	Yes	Yes
	S.C.A.	No	Yes	Yes	Yes	Yes
	S.C.S. (simple)	No	Yes	Yes	Yes	Yes
	S.à r.l.	No	Yes	Yes	Yes	Yes
	S.C.S. (spéciale)	No	Yes	Yes	Yes	Yes

The choice of the corporate form of an investment vehicle relies on the combination of several factors such as the tax transparency of the company, the liability of shareholders, the limited or unlimited number of shareholders, the conditions to transfer shares, the faculty to separate among shareholders those who hold the power in the company (the managers) from those who only hold capital but do not intervene in the management, or the corporate governance rules.

The S.A. is thus particularly convenient to organise the roles, powers and liabilities of managers, directors and shareholders clearly. This is of importance in the context of joint-ventures, where all stakeholders may have different interests. As for the S.C.A., this corporate form is particularly interesting for founding shareholders who want to keep total control of the management. Their liability is unlimited, but they cannot be dismissed from the management without their own consent, unless provided otherwise by the articles of incorporation. As regards the S.à r.l., the objective is to preserve a significant personal link between shareholders by limiting the transfer of shares to people who were not already shareholders of the company. A last example is the one of the S.C.S.. The S.C.S. is a form of partnership created between one or more general partner(s) and one or more limited partner(s), which is largely governed by contractual freedom with respect to its organisation and functioning. It is particularly suitable for founding shareholders who look for tax transparency at the level of the company itself and who want to keep total control of the management.

The S.C.S.p is a new corporate legal form available for Luxembourg investment vehicles. The main difference with the S.C.S. is that the S.C.S.p has no legal personality distinct from its partners. The main feature of the S.C.S.p are further highlighted below:

- **Legal personality:** no;
- **Partners:** one or several general partner(s) and one or several limited partner(s);
- **Management:** one or several manager(s), which can be general partner(s) or third parties and can delegate their powers;
- **Profit allocation:** to be determined by the partnership agreement;
- **Default rule:** in proportion to their interest share (“part d’intérêt”);
- **Voting rights:** possible to issue interest shares without voting rights;
- **Decisions of partners:** to be freely determined by the partnership agreement;
- **Transfer of interest share:** to be freely determined by the partnership agreement;
- **Assets:** are registered in the name of the partnership (despite the lack of legal personality) and may only satisfy the rights of creditors that have been created in relation to the creation, running or liquidation of the S.C.S.p;
- **Formalities:** the partnership agreement can take the form of a private or public deed. It must be published by extract. The partnership exists as from the signature of the partnership agreement;
- **Annual accounts:** to be made available to investors within six months from the end of the period to which it relates.

3. Investors

The below table is giving an overview of eligible investors for the various Luxembourg investment vehicles:

Categories of investors	UCITS Part II UCI	SIF	SICAR	RAIF
Retail investors	Yes	Yes	*	*
High Net Worth Individuals	Yes	Yes	*	*
Institutional investors	Yes	Yes	Yes	Yes
Professional investors	Yes	Yes	Yes	Yes

*Restricted: such investors would be eligible only if they qualify as "well-informed" investor according to the definitions given in the SIF, SICAR and RAIF laws. This rule does not apply to directors and other persons taking part in the management of a SIF/ SICAR or RAIF.

4. Type of securities that may be issued to investors

The below table shows the types of securities which Luxembourg investments vehicles may issue to investors:

Type of security	UCITS Part II UCI	SIF	SICAR	RAIF
Share/unit	Yes	Yes	Yes	Yes
Beneficiary unit		Yes	Yes	Yes
Debt security		Yes	Yes	Yes

Furthermore, the issue and redemption of securities only matters for vehicles with a variable capital. When the capital of an investment company is fixed (SICAF), any issue and redemption of shares are subject to the rules of the Law of 10 August 1915 on commercial companies and impacts the share capital of the company, whose articles must be amended accordingly.

5. Ongoing subscription and redemption of shares/units

Units/shares of a UCITS shall be issued at a price defined by dividing the NAV of the investment vehicle by the number of units/shares outstanding; this price may be increased by expenses and commissions. The units/shares of a UCITS shall be redeemed at a price defined by dividing the NAV of the investment vehicle by the number of units/shares outstanding; the

price may be decreased by expenses and commissions. However, SIFs, SICARs and RAIFs may apply more flexible rule to be set forth in their constitutive documents.

The constitutive documents of the vehicle shall specify the conditions in which issues and redemptions may be suspended, without prejudice to legal causes. In the event of suspension of issues or redemptions, the investment vehicle must without delay inform the CSSF and, if it markets its units/shares in other Member States of the European Union, the respective competent authorities. Where the interest of the investors so requires, redemptions may be suspended by the CSSF if the provisions of laws, regulations or the constitutive documents concerning the activity and operation of the vehicle are not observed. The issue and redemption of the units/shares shall be prohibited:

- when there is no Management Company/AIFM (in case the investment vehicle is not self-managed) or depositary;
- when the Management Company/AIFM (in case the investment vehicle is not self-managed) or the depositary is put into liquidation, declared bankrupt, seeks a composition with creditors, a suspension of payment or a court controlled management or is the subject of similar proceedings.

The constitutive documents of the investment vehicle shall determine the frequency of the calculation of the issue and redemption price. Repayments to investors following a reduction of capital shall not be subject to any restriction other than the respect of the required minimum capital. Distributions (interim or final) of dividends can be made irrespective of the realised results within the period to the extent the minimum share capital is maintained. For SICARs, Repayments and distribution of dividends to shareholders are not subject to any restrictions other than those set forth in the articles of incorporation.

6. Structuring of capital calls

Capital calls are not relevant for UCITS, but may be of interest for investment vehicles with a private equity or real estate investment strategy. The rules applicable to capital calls will mainly depend on the type of vehicle.

- For a Part II UCI incorporated as a SICAV, capital calls shall be organised by way of capital commitments (i.e. contractual undertaking of an investor to subscribe shares of the company upon request and to fully pay them up). For a Part II UCI incorporated as a SICAF, capital calls in an SA/SCA may be organised either by way of capital commitments or through the issue of partly paid shares (to be paid up to 25% at least). However, Part II SICAV setup as a S.à r.l. cannot issue partly paid shares. Part II UCI constituted as a FCP, may organise capital calls either by way of capital commitments or through the issue of partly paid units.
- For SIFs and RAIFs, capital calls may be organised either by way of capital commitments or through the issue of partly paid shares (to be paid up to 5% at least) or units.
- For SICARs, capital calls may be organised either by way of capital commitments or through the issue of partly paid shares (to be paid up to 5% at least).



7. Minimum capital requirement, compartments and classes

UCITS	Part II UCI	SIF	SICAR	RAIF
<ul style="list-style-type: none"> Minimum capital of EUR 1.25m to be reached within six months following approval; Multiple compartments authorised; Classes of shares authorised. 	<ul style="list-style-type: none"> Minimum capital of EUR 1.25m to be reached within six months following approval; Multiple compartments authorised; Classes of shares authorised. 	<ul style="list-style-type: none"> Minimum capital of EUR 1.25m to be reached within 12 months following approval; Multiple compartments authorised; Classes of shares authorised. 	<ul style="list-style-type: none"> Minimum capital of EUR 1m to be reached within 12 months following approval; Multiple compartments authorised; Classes of shares authorised. 	<ul style="list-style-type: none"> Minimum capital of EUR 1.25m to be reached within 12 months following the entry into force of the management regulation/incorporation; Multiple compartments authorised; Classes of shares authorised.

Each of the above investment vehicles may be structured as a stand-alone vehicle or as an umbrella vehicle with multiple compartments having segregated assets and liabilities. The constitutional documents of the investment vehicle must expressly provide for that possibility and the applicable operational rules. The prospectus must describe the specific investment policy of each compartment. The rights and obligations of investors and of creditors concerning a compartment or which have arisen in connection with the creation, operation or liquidation of a compartment are limited to the assets of that compartment. Each compartment is deemed to be a separate entity, unless a clause included in the constitutional documents provides differently. Each compartment of a UCITS or a Part II UCI, a SIF, a SICAR or a RAIF may be separately liquidated without such separate liquidation resulting in the liquidation of another compartment. Only the liquidation of the last remaining compartment of the investment vehicle will result in the liquidation of the vehicle.

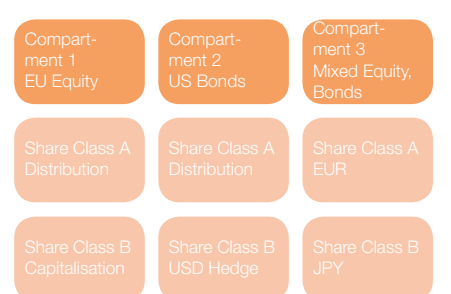
Umbrella ABC



One or more classes of units or shares that match various characteristics may be created in a stand-alone vehicle or in each compartment of an umbrella vehicle. The classes of units or shares may for example have the following distinguishing features:

- distribution policy (distribution or capitalisation shares/units);
- currency (different currencies for the shares/units may be accommodated, e.g. USD, EUR, JPY, etc.);
- investors targeted (either retail, professional or institutional investors, investors of a different nationality, etc.);
- structure of fees (different fee structures may be accommodated, e.g. in relation to the subscription fee, redemption fee, conversion fee, distribution fee, management fee, etc.);
- currency hedging (hedged classes or not);
- minimum subscription and holding requirements.

Umbrella ABC



For UCITS, Part II UCIs, SIFs and RAIFs, distributions (interim or final) of dividends can be made irrespective of the realised results within the financial period, to the extent the minimum share capital is maintained. For SICARs, the payment of interim dividends is not subject to any rules other than those set forth in their articles of incorporation.

8. Compulsory service providers in Luxembourg

The below table shows the list of minimum service providers to be appointed by each Luxembourg investment vehicle:

UCITS	Part II UCI	SIF	SICAR	RAIF
<ul style="list-style-type: none"> • Depositary bank; • Central administration; • Chapter 15 Management Company (unless it is a self-managed SICAV/ SICAF); • External auditor. 	<ul style="list-style-type: none"> • Depositary bank; • Central administration; • Chapter 15 Management Company (unless it is a self-managed SICAV/ SICAF); • External auditor. 	<ul style="list-style-type: none"> • Depositary bank; • Central administration; • Authorised AIFM (unless it is a "self-managed" SICAV/ SICAF); • External auditor. 	<ul style="list-style-type: none"> • Depositary bank; • Central administration; • Authorised AIFM (unless it is a "self-managed" SICAV/ SICAF); • External auditor. 	<ul style="list-style-type: none"> • Depositary bank; • Central administration; • Authorised AIFM • External auditor.



Management Company and “self-managed SICAV” status

All investment funds (UCITS, Part II UCIs and SIFs) must either appoint a Management Company or be “self-managed” (if they are not organised under the contractual form). UCITS can only appoint a Management Company subject to Chapter 15 of the UCI Law whereas, Part II UCIs and SIFs may appoint either an AIFM or a Management Company subject to Chapter 16 of the UCI Law.

Regulatory framework applying to a Chapter 15 Management Company

Activities	<p>The activity of a Chapter 15 Management Company is the collective portfolio management of at least one UCITS, which encompasses three sub-functions:</p> <ul style="list-style-type: none"> • investment management; • risk management • administration; and • marketing. <p>A Chapter 15 Management Company might, in addition (subject to additional requirements in terms of capitalisation, general organisation of the Management Company, and compliance with certain MiFID rules):</p> <ul style="list-style-type: none"> • manage individual portfolios on a discretionary basis for private clients or pension funds; • provide investment advice; and • perform safekeeping of fund’s shares or units.
Requirements	<p>In order to be authorised in Luxembourg, a Chapter 15 Management Company must show to the CSSF that it is organised and functions in line with the UCI Law, CSSF Regulation 10-4 and CSSF Circular 12/546:</p> <ul style="list-style-type: none"> • it has a capital of EUR 125,000, plus additional own funds if the assets it manages are in excess of EUR 250 million. These additional own funds equal 0.02% of AuM in excess of EUR 250 million, with a cap of EUR 10 million. Half of these own funds may be provided through a bank or insurance guarantee; • it has sufficient technical and human means necessary for the proper performance of its duties. In particular, that at least two individuals (the “conducting officers”), of relevant experience and reputation in relation to the type of investment fund concerned, are designated to conduct the activities of the Management Company (“four-eyes principle”); • it is audited by an external auditor approved by the CSSF. <p>A Chapter 15 Management Company shall further show that:</p> <ul style="list-style-type: none"> • it has sound organisational, administrative, accounting and internal control procedures, sufficient resources and procedures regarding customers’ complaints; • it has put in place permanent compliance, internal audit and risk management functions; • it complies with the requirements regarding identification and management of conflicts of interests and an appropriate remuneration policy; • it respects its rules of conduct, including the duty to act in the best interest of the funds and their investors, the duty of best execution and the rules regarding payment and receipt of inducements in the context of asset management and administration of the funds; • it has in place a sound risk management process so that all risks pertaining to the funds managed can be identified, monitored and managed at all times. This risk management process shall be duly described in a policy, kept up-to-date and operational at all times; • investment compliance monitoring procedures are in place and are efficient at all times.
Selection and supervision of delegates	<p>A Chapter 15 Management Company must take the utmost care in the selection and the supervision of delegates, i.e. the service providers of the fund who contract directly with the Management Company. Any of the functions delegated to third parties shall be properly monitored and supervised, with the possibility for the conducting officers to intervene directly and even revoke its mandate.</p> <p>The delegation of the investment management function can only be made to duly regulated and supervised entities, approved for the business of investment management. The investment management function can never be performed by the depositary bank, which is also prevented from performing risk management functions for the funds, this task being too closely related to investment management.</p> <p>A Chapter 15 Management Company can outsource performance of some or all of its functions, as long as it does not become a “letter box entity”. However, this concept is for the time being not further defined and consequently not subject to the same rules than the ones applicable to AIFMs.</p>

Regulatory framework applying to a Chapter 16 Management Company	
Activities	The activity of a Chapter 16 Management Company is the collective portfolio management of all types of investment vehicles, except UCITS.
Requirements	<p>The authorisation will be given if the Management Company can show:</p> <ul style="list-style-type: none"> • a minimum capital of EUR 125,000 and sufficient financial resources at its disposal to enable it to conduct its business effectively and meet its liabilities; • an activity limited to the management of funds, the administration of its own assets being only ancillary; • high repute and experience of its directors; • that it will be audited and certified by a Luxembourg authorised auditor, duly approved by the CSSF.
Selection and supervision of delegates	As for Chapter 15 Management Companies, any of the functions delegated to third parties shall be properly monitored and supervised. Investment management functions can only be performed by entities which are duly authorised in their country for the purposes of investment management and duly supervised by an authority with which the CSSF can cooperate. In addition, a Chapter 16 Management Company may not delegate the core function of investment management to the depositary bank of the funds.

Regulatory framework applying to a self-managed SICAV/SICAF	
Activities	When the fund does not appoint a Management Company and is organised under a corporate form, it may alternatively choose to be a self-managed SICAV/SICAF. It remains a “product” as such, the units of which are to be sold to investors, it cannot perform services to another fund or client, and the management of its assets shall be its sole purpose.
Requirements	<p>Self-managed UCITS SICAV shall fulfil many of the requirements described before for Chapter 15 Management Companies, i.e. having:</p> <ul style="list-style-type: none"> • at least two conducting officers to conduct their affairs, supervise and monitor its delegates, ensure a sound risk management process, etc.; • a permanent risk management function; • rules and policies in place to deal with conflicts of interest, apply rules of conduct destined, among others, to ensure the SICAV acts in the best interest of investors; • an important difference lies in the capitalisation rules: there are no additional “own funds” for a self-managed SICAV, just a minimum capital of EUR 300,000 at the time of its approval by the CSSF. The governance framework is obviously very different in a self-managed SICAV, compared to a fund with a Management Company. In this instance, the conducting officers will act directly with the board of directors of the self-managed SICAV. <p>The self-managed form is standard for Part II UCIs and SIFs organised as SICAVs. While they have traditionally not had to comply with substance requirements in terms of conducting officers, resources, delegation control, etc., the UCI Law and the SIF Law now impose them to comply with its rules on delegation of investment management, i.e. to regulated entities only and not to the depositary bank.</p>

AIFM and the “internally-managed AIF” status

AIFs need to appoint an authorised AIFM unless they are internally managed (however, RAIFs cannot be internally managed and need to appoint an external authorised AIFM).

Regulatory framework applying to an authorised AIFM

Activities	<p>The AIFM Law defines the AIFM as any “legal person whose regular business is managing one or more AIFs”. “Managing AIFs” is defined as “performing at least investment management functions for one or more AIFs” (i.e. the portfolio management and risk management functions). This is understood as meaning the AIFM is the entity which has responsibility for each function, and has sufficient substance to oversee both, but it may delegate either function (or elements of either or both functions) to another entity, subject to stringent rules and in particular that it does not become a letter-box entity.</p> <p>In addition, an authorised AIFM may thus perform the following non-core functions:</p> <ul style="list-style-type: none"> • the administration, • the marketing, and • other activities related the assets of AIFs.
Requirements	<p>As Luxembourg Management Companies and in particular Chapter 15 Management Companies, an AIFM is subject to high regulatory requirements, such as:</p> <ul style="list-style-type: none"> • initial capital (EUR 125,000 for an external AIFM, EUR 300,000 for an internally managed AIF); • additional own funds (an additional amount of 0.02% of AuM which exceed EUR 250 million up to EUR 10 million, provided that the minimum additional own funds shall never be lower than one quarter of the AIFM’s preceding year fixed overheads); • additional own funds to cover professional liability risk (an additional amount of 0.01% of the value of the portfolios of the AIFs under management is required or a professional indemnity insurance from an EU insurance company with the following coverage requirements: individual claim (0.7% of the value of the portfolios of the AIFs), claims in aggregate (0.9% of the value of the portfolios of the AIFs); • at least two conducting officers of sufficiently good repute and sufficiently experienced also in relation to the investment strategies pursued by the AIFs managed by the AIFM; • shareholders or partners of the AIFM that have qualifying holdings shall be suitable taking into account the need to ensure the sound and prudent management of the AIFM; • a programme of activity setting out the organisational structure of the AIFM, including information on how the AIFM intends to comply with its obligations; • arrangements in place for the delegation and sub-delegation to third parties of functions (if any); • depositary arrangements for each AIF; • a risk management process; • a delegation of function policy (incl. initial and ongoing due diligence on delegates); • rules of conduct; • a conflict of interests policy; • a voting rights policy.
Valuation function	<p>In terms of valuation of the assets of an AIF, the AIFM may:</p> <ul style="list-style-type: none"> • either perform the valuation function itself provided that the valuation task is functionally independent from the portfolio management and the remuneration policy and other measures ensure that conflicts of interest are mitigated and that undue influence upon the employees is prevented; or • delegate that function to an external valuer, which must be a legal or natural person independent from the AIF, the AIFM and any other persons with close links to the AIF or the AIFM. <p>When the AIFM chooses to delegate the valuation function, it may appoint one or several external valuers. The appointed depositary may not be the external valuer unless conflicts are managed and the valuation function is functionally and hierarchically separate from the depositary function. Once the function is delegated to an external valuer, that valuer may not further delegate the responsibility.</p> <p>The external valuer(s) must be subject to mandatory professional registration and must provide a professional guarantee, that is to say a written statement signed by the valuer or a legal representative which includes:</p> <ul style="list-style-type: none"> • evidence of sufficient resource corresponding to the AIF strategy and specific assets; • evidence of qualifications and capability to perform role corresponding to the AIF strategy and specific assets; • adequate knowledge and understanding to the AIF strategy and specific assets. <p>The external valuer(s) must also have policies and procedures in place similar to that of the AIFM, including procedures to address the identification, monitoring and mitigation of conflicts with the AIFM or itself.</p>

Regulatory framework applying to an authorised AIFM (continued)

Exemptions	<p>Luxembourg firms meeting the below exemptions will not be required to be authorised under the AIFM Law but will, however, be required to register with the CSSF.</p> <p>The first exemption mentioned concerns Luxembourg AIFMs which exclusively manage AIFs that are only invested into by the AIFM or by its associates (parent, subsidiaries, and subsidiaries of the parent).</p> <p>More importantly, Luxembourg AIFMs managing AIFs with combined assets under management of 100 million euros (including use of leverage) or AIFs with assets under management of 500 million euros (where the AIFs are unleveraged) will not be required to be authorised. They are however required to register with the CSSF and will be subject to some regulatory reporting. It is important to note that the threshold is at the level of the AIFM and not at the level of the AIF. Registered AIFMs (as opposed to fully authorised) under the AIFM Law will not benefit from any of the rights granted under the AIFM Law – particularly the ability to market its AIFs cross-border via the AIFMD passport, unless they choose to opt in.</p>
Grandfathering provisions	<p>AIFMs managing closed-ended type AIFs existing before 22 July 2013 which do not make any additional investments after 22 July 2013 may continue to manage such AIFs without authorisation under the AIFM Law.</p> <p>AIFMs managing closed-ended type AIFs whose subscription period for investors has closed prior to 21 July 2011 and are constituted for a period of time which expires after 22 July 2016, may continue to manage such AIFs without authorisation under the AIFM Law. These AIFMs will however need to comply with certain transparency requirements.</p>

Central administration

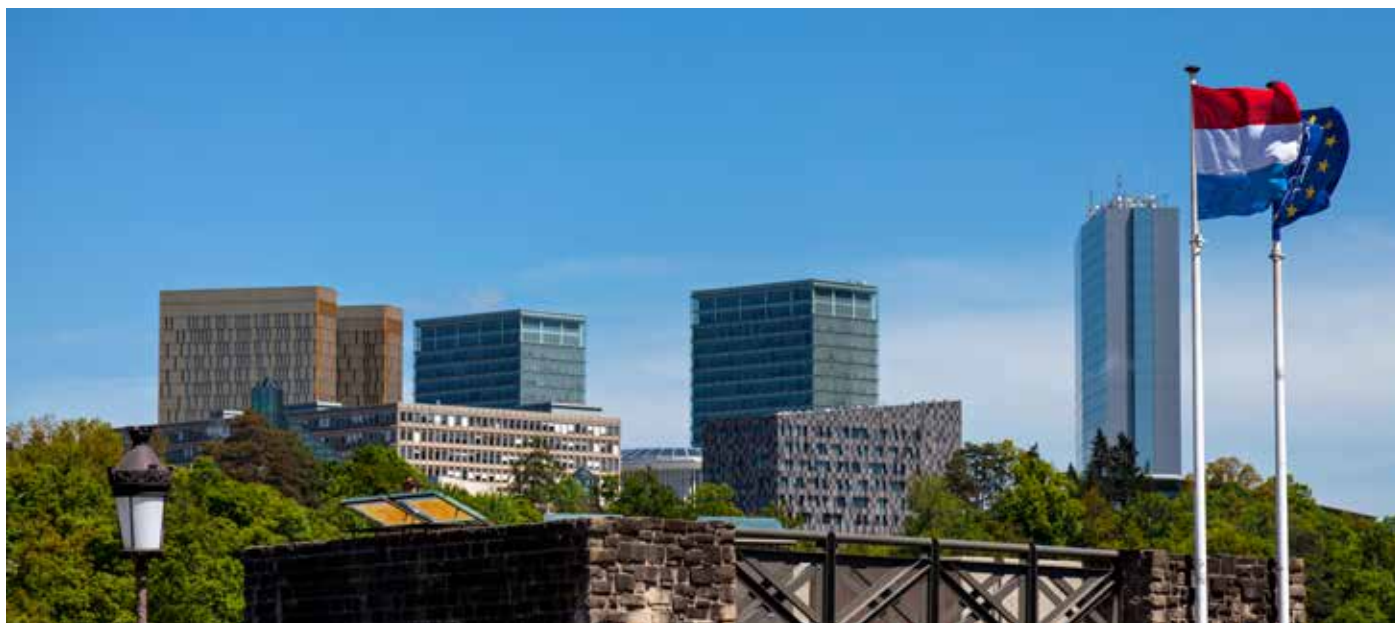
Central administration function in Luxembourg	<p>Although UCITS IV allows a UCITS to be run by a Management Company located outside of Luxembourg, in case the Management Company is located in Luxembourg the central administration agent shall necessarily be Luxembourg domiciled. This requirement, which comes from IML Circular 91/75 (as amended by CSSF Circular 05/177) ensures that the CSSF, the depositary bank and the external auditor can easily perform their respective legal duties. This requirement imposes, for all investment vehicles created under Luxembourg law, to have the administrative agent and the registrar and transfer agent in Luxembourg. It does not prevent however from receiving support from entities located outside of Luxembourg.</p> <p>The RAIF law requires that the central administration of a RAIF must be located in Luxembourg.</p>
Administrative agent function	<p>Officially recognised by the law of 2 August 2003 (amending the Law of 5 April 1993 on the financial sector) creating new categories of regulated financial professionals active in the asset management sector, the basic function of the administrative agent consists of all types of investment vehicles, in calculating the vehicle's NAV and maintaining the vehicle's accounting records.</p> <p>From a relatively basic (yet labour intensive) activity, this function has evolved in line with the sophistication of the investment vehicles and the instruments they invest in and consequently, the administrative agent will often demonstrate specific skills like:</p> <ul style="list-style-type: none"> • the ability to deal with complex instruments like OTC derivatives, complex swap structures, various types of structured notes involving embedded derivatives; • the ability to provide the investment vehicle with prices for all kinds of investments supporting the investment strategy; • the ability to understand market practices and legal requirements; • the knowledge of specific Risk Management tools for alternative UCITS funds; • experienced staff used to work in alternative investments; • the ability to deal with any kind of performance fee calculation (including equalisation); • the understanding of specific compliance issues; • the understanding of IT infrastructure enabling effective interface with other service providers; • the ability to implement pooling techniques; • the ability to calculate certain tax figures.
Registrar and transfer agent function	<p>The registrar and transfer agent is also a regulated profession in Luxembourg and subject to specific professional secrecy rules. Registrar and transfer agents execute subscription and redemption requests, maintain the vehicle's share/unit holders register and, in general, correspond with investors. Since they are the primary service provider in Luxembourg dealing with the underlying clients, AML/KYC procedures, as well as market timing/late trading monitoring, are also primary responsibilities of this party.</p>

Depository bank

Investment vehicles concerned	All investment vehicles must have a depository bank to hold the investment vehicle's assets and exercise certain other control functions, the extent of which depends upon the vehicle's status (UCITS or Part II UCI, SIF, SICAR or RAIF).
Requirements	The depository bank is a credit institution within the meaning of Luxembourg Law of 5 April 1993 on the financial sector. It either has a registered office in Luxembourg or is a branch of a European Union Bank. The depository is always in the same domicile as the investment vehicle.
Supervision	The depository bank is subject to the supervision of the CSSF and must comply with all legal and regulatory requirements to be met by banks as set out in the Law of 5 April 1993 on the financial sector.
Duties and obligations	<p>The duties and obligations of the depository bank can be summarised as follows:</p> <ul style="list-style-type: none"> the safekeeping of the vehicle's assets whereby a distinction shall be made between (i) custody duties relating to financial instruments (such as securities) that can be held in custody and (ii) asset monitoring duties relating to "other assets" (such as derivative contracts) in the latter context, the depository's duties will be confined to ownership verification and record keeping duties; Oversight function irrespective of the legal form taken by the investment vehicle: <ul style="list-style-type: none"> Control of issue, repurchase, redemption and cancellation of units/shares Control of the NAV calculation process Control that the consideration to the vehicle's transaction is remitted within the usual time limits; Compliance with investment restrictions rules; Control that the vehicle's income is applied appropriately. Cash flow monitoring whereby the depository will be responsible for the proper monitoring of the vehicle's cash flows

External auditor

Investment vehicles concerned	All investment vehicles in Luxembourg, even those run by a Management Company or an AIFM located abroad, must appoint an auditor authorised by the CSSF.
Activities	The external auditor certifies the accounting information provided in the annual report of investment vehicles and, for certain types of vehicles, provide the governing body and the CSSF with information on the operations of the vehicle and its service providers (through the Long Form Report). The auditors' main functions and obligations are further described under the section "Reporting requirements".



9. Frequency of NAV calculation and valuation principles

For a UCITS, the NAV is computed at sufficiently close and fixed intervals, but at least twice a month. The CSSF may, however, permit a UCITS to reduce this frequency to once a month, on condition that such a derogation does not prejudice the interests of unit/shareholders. For a Part II UCI, the NAV shall be computed at sufficiently close and fixed intervals, but at least once a month. The CSSF can however grant derogations therefrom upon a duly justified application. Unless otherwise provided for in the articles of incorporation or the management regulations of the fund, the valuation of the assets (purchased or sold) is based, in the case of officially listed securities, on the last known stock exchange quotation, unless this quotation is not representative. For securities and for securities are not listed this way, but for which the latest quotation is not representative, the valuation will be based on the probable realisation value, estimated with care and in good faith.

For a SIF, the NAV shall be computed on the frequency set in the articles of incorporation or management regulations with a minimum of once a year. Unless otherwise provided for in the articles of incorporation or the management regulations of the fund, the valuation of the assets shall be based on the fair value. This value shall be determined in accordance with the rules set forth in the articles of incorporation or the management regulations.

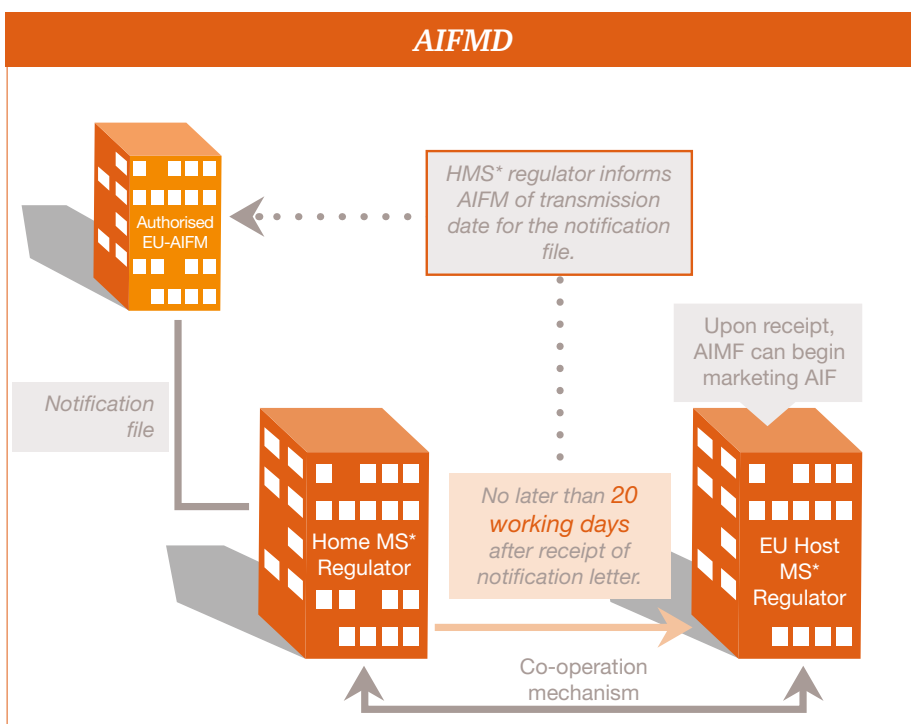
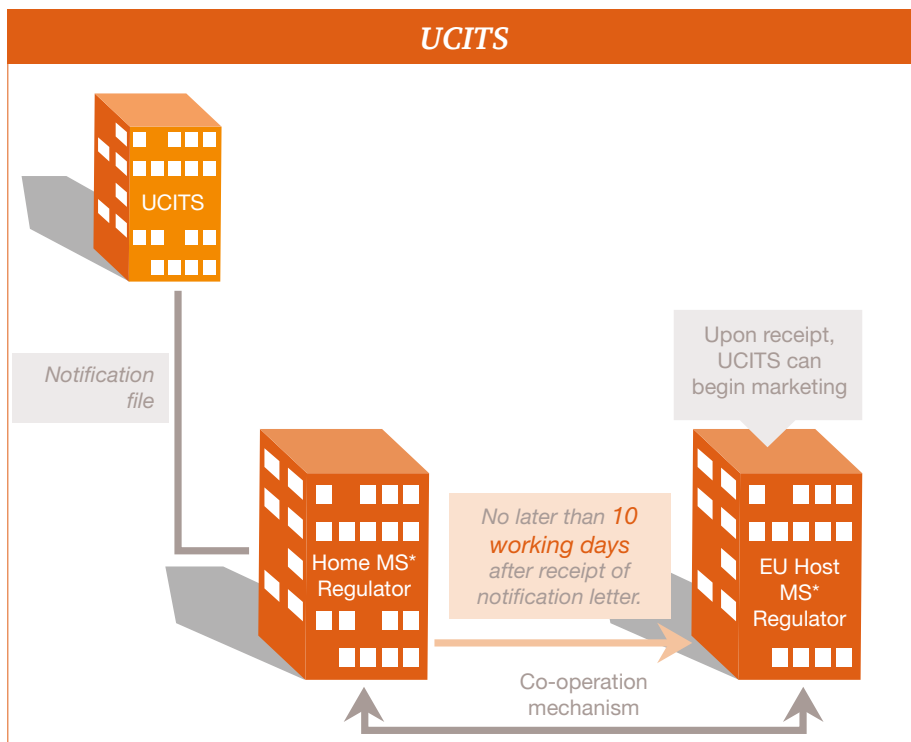
For a SICAR, the NAV shall be computed on the frequency set in the articles of incorporation with a minimum of once a year. The valuation of the assets of the company is based on the fair value. Such value must be determined in accordance with the rules set forth in the articles of incorporation.

For a regulated investment vehicle which qualifies as an AIF, the frequency of the NAV calculation and the valuation principles depend on the law to which the investment vehicle is subject (e.g. Part II of the UCI Law, SIF Law, SICAR Law).

For a RAIF, unless otherwise mentioned in the constitutive documents, the assets must be valued at fair value. This value is to be determined in accordance with the rules set forth in the constitutive documents and the applicable provisions of the AIFMD. The assets must be valued and the NAV must be calculated at least once a year (although some type of additional determination of total net assets may have to be performed on a quarterly basis for the purpose of assessing the amount of the tax d'abonnement to be paid on a quarterly basis).

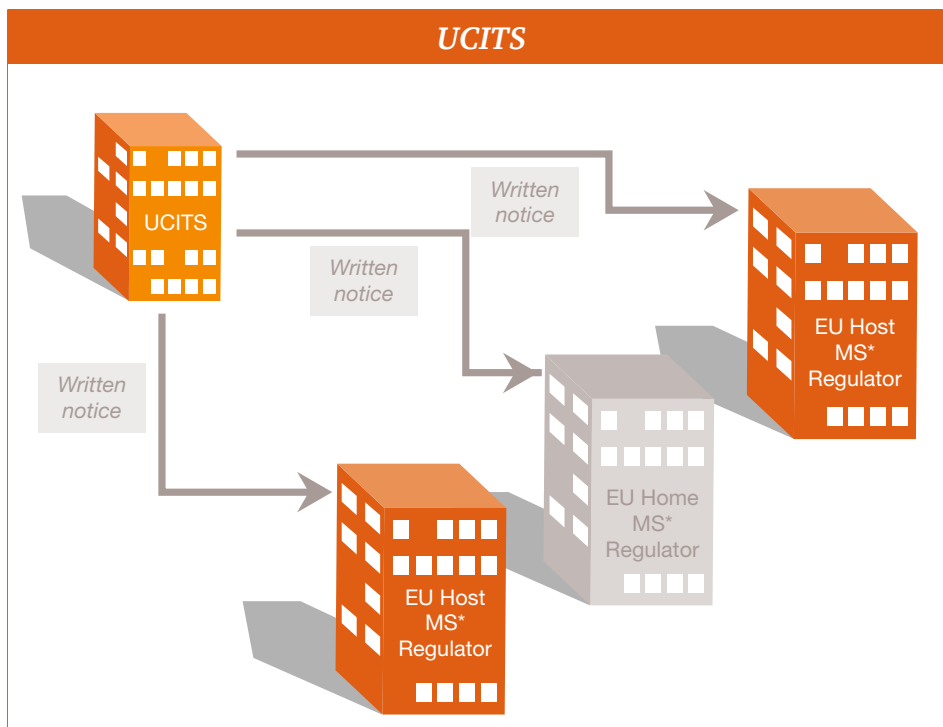
10. Distribution channels

a. EU market access: The notification (registration) processes under the UCITS and AIFM Directive



*MS: Member State

b. Maintaining EU market access: The notification of all material changes under the UCITS and AIFM Directive



11. Fund taxation

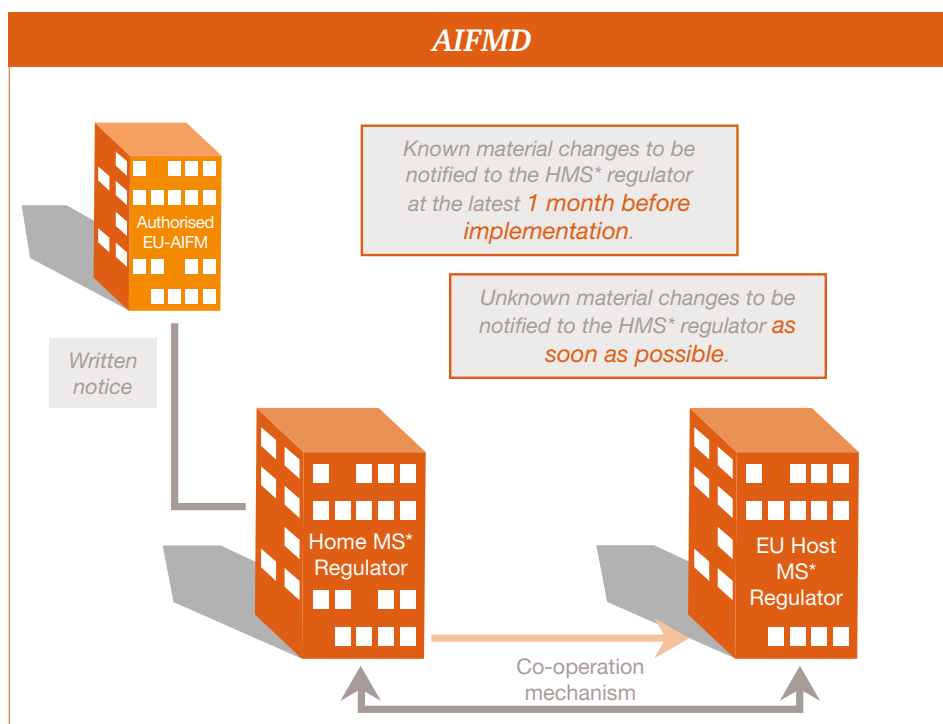
See p.59 for further details

12. Tax treaties

See p.59 for further details

13. VAT on services provided

See p.61 for further details



*MS: Member State

3

Practical guide





3.1. Set-up

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- Submission of the investment vehicle's documentation to the CSSF
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3. Practical guide

3.1 Set-up

Drafting constitutional documentation

All regulated investment vehicles domiciled in Luxembourg must be duly authorised by the CSSF. As a reminder, RAIFs are not required to obtain CSSF clearance before launch and they do not fall under the direct ongoing supervision of the CSSF.

Depending on the type of vehicle, the CSSF will also approve the service providers involved in the operations of the vehicle. To obtain authorisation, the applicant has to submit an application file to the CSSF which, inter alia, contains the following documents:

- Draft constitutional documents of the investment vehicle (articles of incorporation in case of a SICAV or SICAF, management regulations in case of a FCP);
- Key Investor Information Document also called “KIID” (for UCITS only);
- Draft agreements with service providers (investment management agreement, central administration agreement, depositary bank agreement, distribution agreement, if any, etc.);
- Identity of the initiator of the investment vehicle (i.e. the entity which is at the origin and creation of the investment vehicle);
- Identity of the board of directors of the investment vehicle (certified copy of the identity card or passport, dated and signed CV, declaration of honour, list of other mandates and extract of criminal records are required from each director so that the CSSF can assess their reputation and experience before approving them);
- Identity of the conducting officers (certified copy of the identity card or passport, dated and signed CV, declaration of honour, list of other

mandates and extract of criminal records are required from each conducting officer so that the CSSF can assess their reputation and experience before approving them – being understood that the requirement to have two conducting officers exists also for regulated investment vehicles which qualify as AIFs);

- Identity of the Luxembourg domiciled central administration agent and depositary bank (i.e. name, address);
- Identity of independent auditor;
- Risk management process applicable to the investment vehicle;
- Conflict of interest policy applicable to the investment vehicle;
- Marketing strategy;
- Completed CSSF questionnaire(s) depending on the investment vehicle.

The lists of elements for the application is not exhaustive and the CSSF reserves the right to request, at any time, any additional documentation and information it may deem necessary in the context of the authorisation process.

Submission of the investment vehicle’s documentation to the CSSF

Once the application file is complete, it shall be filed with the CSSF via e-file with the use of the relevant procedure or via electronic mail to the attention of setup.uci@cssf.lu. The CSSF approval process to set up a regulated vehicle then follows a three-step approach, which is set out below.

Acknowledge of receipt of the application file

The CSSF will acknowledge receipt of the application file in principle within

two working days and will inform the responsible officer in charge of examining the application file.

Transmission of comments and possibly further requests of information after initial examination

After initial examination of the application file, the CSSF will contact the applicant (or contact person designated in the CSSF questionnaire) in principle within 10 working days after receipt of the application file. The contact person may be asked to provide further information and/or supportive documents to complete the file or explain specific considerations of the application. Supplemental information or documents shall be remitted through the communication channel initially used (i.e. via e-file or via e-mail).

This step may be subject to reiteration until satisfactory completion of the examination phase.

In case the applicant faces difficulties responding to requests from the CSSF within a reasonable delay, not exceeding three months, the CSSF will contact the applicant to question if the application is to be continued or to be withdrawn.

Advice after completion of examination phase of application and invitation to submit final version of compulsory documents

The CSSF will inform the applicant about the completion of the examination phase of the application.

From this point, applicants are advised that changes of scope or alterations of the last draft versions of constitutive documents on the basis of which the examination has been performed can no longer be permitted. Any transgression of this understanding will imply a reopening of the examination phase.



Incorporation, CSSF visa and launch of the investment vehicle

The confirmation of the satisfactory completion of the examination phase allows to convene a meeting with a Luxembourg notary to incorporate the investment vehicle, when such vehicle is organised under a corporate form.

The notary will usually require payment in advance of its fees to proceed with the incorporation, as well as the following documents:

- Draft of the articles of incorporation;
- Identification documents of shareholders and ultimate beneficial owners (copy of identity card or passport for natural persons, excerpt of trade and company register and/or articles of incorporation for legal persons);
- Proxies and identity documents of representatives of shareholders at the incorporation;
- A certificate from the bank confirming that the cash deposited by shareholders has been blocked on a bank account (being understood this cash will become the share capital of the investment vehicle at its incorporation date);
- At the time of incorporation, the notary will verify that it has all the necessary documents to incorporate the investment vehicle, he will verify the identity of shareholders or their representatives, will review the deed of incorporation (this deed of incorporation consists of the articles of incorporation and of the shareholders resolution appointing members of the board of directors and the external auditor of the investment vehicle), will sign the deed of incorporation and will request the shareholders or their representatives to countersign the deed.

The notary will then issue certified copies of the deed of incorporation, as well as original copies a few days later. He will also proceed to the registration of the investment vehicle with the Luxembourg trade and company register and will make sure that the deed of incorporation is published in the relevant Luxembourg legal publication (i.e. as from 1 June 2016 the “Recueil Electronique des Sociétés et Associations“, previously the Memorial C).

In case the vehicle is organised under a contractual form (i.e. FCP), there will be no incorporation of the investment vehicle as it does not have any legal personality. The Management Company and the depositary bank of the investment vehicle will instead sign the management regulations.

Once the initiator of the investment vehicle has a copy of the signed articles of incorporation (in case of a SICAV/ SICAF) or management regulations (in case of a FCP), as well as copies of the signed agreements with relevant service providers, it will be able to file the prospectus of the investment vehicle (with the KIID in case of a UCITS) via e-file for visa with such documents following the terms of CSSF Circular 08/371 (Electronic transmission of prospectuses and financial reports of UCIs and SIFs to the CSSF). The CSSF will then proceed to the registration of the investment vehicle on the official list, will issue in parallel the official accreditation letter, the related attestations and identification codes, will record the documentation and lastly will return a visa-stamped version of the prospectus in principle within five working days after the date of receipt of all required documents.

As soon as the prospectus is visa-stamped, the investment vehicle may be launched and thus be opened to subscriptions.

Tax considerations

Funds

Upon incorporation the fund should not suffer any tax other than a EUR 75 registration duty.

Luxembourg funds may be formed either as corporate or contractual type vehicles, thus enabling the vehicle to be either opaque or look-through from a tax perspective. Depending on investors targeted and assets, one option or the other would be preferred.

Management Company

Upon incorporation, the Management Company is subject to a registration duty of EUR 75.

As from incorporation, the Management Company is subject to Luxembourg general tax rules and as such is liable to corporate income tax, municipal business tax and net wealth tax. Details about the taxation may be found in the chapter “Maintenance” on page 56.

One-off and ongoing costs at a glance

Incorporation costs of a company

Notary fees for the incorporation	Between EUR 2,000 and EUR 5,000
Registration costs in the Companies registrar	Approximately EUR 150

Registration costs with the CSSF

UCITS	Traditional fund: EUR 3,500 Umbrella fund: EUR 7,000 Self-managed SICAV: EUR 10,000
Part II UCI	Traditional fund: EUR 3,500 Umbrella fund: EUR 7,000 Part II UCIs internally-managed (traditional or umbrella fund): EUR 10,000
SIF	Traditional fund: EUR 3,500 Umbrella fund: EUR 7,000 SIF-AIF internally-managed (traditional or umbrella fund): EUR 10,000
SICAR	Traditional SICAR: EUR 3,500 Umbrella SICAR: EUR 7,000 SICAR-AIF internally-managed (traditional or umbrella SICAR-AIF): EUR 10,000
Chapter 15 Management Company	EUR 10,000
Chapter 15 Management Company and AIFM	EUR 10,000
Existing Chapter 15 Management Company requesting the AIFM license	EUR 2,500
Chapter 16 Management Company	EUR 5,000
Chapter 16 Management Company and AIFM	EUR 10,000
Existing Chapter 16 Management Company requesting the AIFM License	EUR 7,500
AIFM	EUR 10,000
AIFM managing only non-Luxembourg regulated AIF	EUR 5,000

CSSF Annual Fees	
Traditional UCITS, Part II UCI, SIF and SIF-AIF	EUR 3,000
Umbrella UCITS, Part II UCI, SIF and SIF-AIF	From 1 to 5 sub-funds: EUR 6,000 From 6 to 20 sub-funds: EUR 12,000 From 21 to 50 sub-funds: EUR 20,000 Above 50 sub-funds: EUR 30,000
SICAR	Traditional SICAR: EUR 3,000 SICAR Umbrella : EUR 6,000
Chapter 15 Management Company	EUR 20,000 For each branch established abroad: EUR 2,000
Chapter 15 Management Company and AIFM	EUR 25,000
Chapter 16 Management Company	EUR 15,000
Chapter 16 Management Company and AIFM	EUR 25,000 For each branch established abroad: EUR 2,000
AIFM	EUR 25,000 For each branch established abroad: EUR 5,000



3.2. Distribution

UCITS

Initial host market registration

Checklist for UCITS cross-border public distribution within the EU

Objective: Ensure your fund obtains authorisation for public distribution in selected target EU jurisdiction(s)

Step plan	Guidance
Decide which host EU market(s) to target.	Perform a pre-analysis of the specific local requirements in the selected target market; e.g.: <ul style="list-style-type: none"> • local investors' product appetite; • any local entities to be appointed; • specific investor documents to be prepared; • any registration fees to be paid, etc; • tax requirements linked to the registration (if any).
Determine the marketing strategy in order to establish the appropriate local distribution footprint.	
Appoint required local agents (paying and information agents and distributors) and ensure related agreements have been prepared, reviewed and signed.	
Gather mandatory documents as per the UCITS Directive and submit notification package to the host regulator via the home regulator.	Prepare the initial notification package: <ul style="list-style-type: none"> • complete the required EU notification letter(s); • gather the necessary fund documentation required by the UCITS Directive (e.g. UCITS attestation, prospectus, incorporation document, KIIDs, financial statements, etc.); • create an internal registration matrix to follow-up on your distribution footprint; • prepare any mandatory local documents (addenda, specific forms, checklists, etc.); • ensure that any locally required proof of fee payment is attached; • check compliance of local marketing plan with local rules; • prepare and submit the complete notification package to the home regulator.
Waiting period for home regulator feedback = 10 working days.	
Commercialisation may start after transmission of the file from home regulator to host regulator.	
Waiting period for host regulator return receipt = 5 working days.	
Follow-up on any subsequent queries from the host regulator regarding the notification made, if any.	
Initial registration procedure completed.	

Registration maintenance

Objective: Ensure your fund remains in compliance with the UCITS Directive requirements and EU host country regulatory obligations to maintain its authorisation for public distribution.

Step plan	Guidance
	<i>a. Document/information update</i>
Prepare and submit any updated document/information included in the initial registration package and approved by the home regulator with the host regulators of the fund's countries of distribution.	Prepare the update notification package: <ul style="list-style-type: none"> • perform an impact analysis of the planned changes on all fund documents; • update other fund documents, if needed; • review and update all the locally required documents (e.g. country addenda, UK 264CH form, , Danish notification letter, etc.); • prepare the notification package.
Submit the updated notification(s) to the various host EU regulators.	The updated documents may be circulated to the various third parties/investors as from the date of submission to the host regulators.
Follow-up on any subsequent queries from the host regulator regarding the notification made, if any.	
Update procedure completed.	
	<i>b. Subsequent sub-fund registration</i>
Inform host regulators of any intention to market additional sub-funds in a host jurisdiction and submit the mandatory documents as outlined by the UCITS directive) to the host regulator via the home regulator.	Prepare the subsequent registration package: <ul style="list-style-type: none"> • prepare the EU notification letter(s); • update any locally required documents (e.g. country addenda, the UK 264CH form, , the Danish notification letter, etc.); • update initial registration matrix accordingly; • coordinate KIIDs production and translation with KIIDs factory (KIID mass production tool) and/or translators; • check compliance of local marketing plan with local rules; • prepare and submit complete notification packages to the home regulator.
Follow-up any subsequent queries from the home regulator regarding the notification made, if any.	
Waiting period for home regulator feedback = 10 working days.	
Commercialisation may start after transmission of the file from home regulator to the host regulator.	
Waiting period for host regulator return receipt = 5 working days	
Follow-up on any subsequent queries from the home regulator regarding the notification made, if any.	
Subsequent registration procedure completed.	

AIFs

Marketing passport notification

Scenario 1:

Checklist for EU-AIFM's cross-border distribution of EU-AIF's within the EU (Article 32 of the AIFMD)

Objective: Ensure your AIF obtains the authorisation for distribution to professional investors in selected target countries

Step plan	Guidance
Decide which new market(s) to target.	Perform a pre-analysis of the specific local requirements in the selected target market; e.g.: <ul style="list-style-type: none"> • local investors' product appetite; • any local entities to be appointed; • specific investor documents to be prepared; • any registration fees to be paid; • tax requirements linked to the registration (if any).
Evaluate the marketing strategy in order to establish the correct distribution footprint.	
Appoint any required local third parties (paying and information agents, distributors) and ensure that the related agreements have been signed.	
Gather mandatory documents as per the AIFMD and submit notification package to the host regulator via the home regulator.	Prepare the initial notification package based on the country of domicile of the AIFM: <ul style="list-style-type: none"> • a notification letter, including a program of operations identifying the AIFs intended to be marketed and information on where the AIFs are established; • the indication of the country it intends to market the units or shares of the AIF to professional investors; • the AIF rules or instruments of incorporation; • identification of the depositary of the AIF; • a description of, or any information on, the AIF available to investors; • the information on where the master AIF is established if the AIF is a feeder AIF; • any additional information referred to in Article 23(1) for each AIF it intends to market; • the information on the arrangements made for the marketing of the AIF in the host Member State; • where relevant, information on the arrangements established to prevent units of the AIF from being marketed to retail investors, including where the AIFM relies on activities of independent entities to provide investment services in respect of the AIF, etc.
Waiting period for home regulator feedback = 20 working days.	
Home Member State regulator informs AIFM of transmission date for the notification file to the host regulator(s). Commercialisation may start.	
Follow-up on any subsequent queries from the host regulators regarding the notification made, if any.	
Marketing passport notification procedure completed.	

Scenario 2:

Checklist for:

- EU-AIFM's managing non-EU AIF's (article 36 of the AIFMD)
- Non-EU AIFM's managing either EU or non-EU AIF's (article 42 of the AIFMD)

Overview of the market access options

AIFMD currently denies a marketing “passport” in each of the following three scenarios:

1. EU AIFM seeking to market non-EU AIF's;
2. Non-EU AIFM seeking to market EU AIF's;
3. Non-EU AIFM seeking to market non-EU AIF's.

Step plan	Guidance
Decide which new market(s) to target.	Perform a pre-analysis of the specific local requirements in the selected target market; e.g.: <ul style="list-style-type: none"> • local investors' product appetite; • any local entities to be appointed; • specific investor documents to be prepared; • any registration fees to be paid; • tax requirements linked to the registration (if any).
Evaluate the marketing strategy in order to establish the correct distribution footprint.	
Appoint any required local third parties (paying and information agents, distributors) and ensure that the related agreements have been signed.	
Gather mandatory documents as per the AIFMD and submit notification package to the host regulator directly.	Prepare the initial notification package based on the targeted host country where you intend to market the AIF: <ul style="list-style-type: none"> • a notification letter, including a program of operations identifying the AIFs intended to be marketed and information on where the AIFs are established; • the AIF rules or instruments of incorporation; • identification of the depositary of the AIF; • a description of, or any information on, the AIF available to investors; • the information on where the master AIF is established if the AIF is a feeder AIF; • any additional information referred to in Article 23(1) for each AIF it intends to market; • the information on the arrangements made for the marketing of the AIF in the host Member State; • where relevant, information on the arrangements established to prevent units of the AIF from being marketed to retail investors, including where the AIFM relies on activities of independent entities to provide investment services in respect of the AIF, etc. The content of the notification package varies on the targeted country.
Marketing can start when the Host regulator has informed the AIFM that it can start marketing.	
Timeline varies depending on the regulator.	
Follow-up on any subsequent queries from the host regulators regarding the notification made, if any.	
Notification procedure completed.	

Marketing maintenance

Scenario 1:

Checklist for EU-AIFM's managing EU-AIF's

Objective: Ensure your AIF complies with the ongoing obligations to maintain its marketing authorisation

a. Material changes notification

Step plan	Guidance
Prepare and submit notification of any material changes impacting the notification with the home regulator of the AIFM.	Prepare the update of notification package: <ul style="list-style-type: none"> perform an impact analysis of the planned changes; assess whether the change is a known material change or an unknown change (triggering different deadlines for regulator notification); review and update all the locally required documents; prepare the notification package.
Timeline for notification to the home member state regulator:	
Known material changes = at the latest 1 month before implementation;	
Unknown material changes = as soon as possible.	
The home regulator will transmit the amendment notice to all host regulators of the jurisdictions where the AIF been notified for marketing.	
Follow-up on any subsequent queries from the host regulators regarding the notification made, if any.	
Notification procedure completed.	

b. Transparency reporting obligations

Reporting type	Mandatory?	Guidance
AIFM reports (AIFM + AIF information as per the ESMA template and local requirements, if any)		
Reporting to the home Member State regulator of the AIFM (Art. 24 AIFMD)	Yes	<ul style="list-style-type: none"> Different reporting frequencies possible: quarterly, semi-annually and annually. Different reporting obligations applicable pursuant to art. 24.1, art. 24.2 and art. 24.4.
Reporting to the investors (Art. 23 AIFMD).	Yes	<ul style="list-style-type: none"> Disclosures to investors prior to investing in the AIF. Regular/periodic reporting possible.
Annual reports (Art. 22 AIFMD).	Yes	<ul style="list-style-type: none"> Prepare annual report for each managed AIF and for each AIF marketed in the EU in accordance with accounting standards of the Home Member State of the AIF. Make annual report available no later than six months after financial year-end. Ensure annual report is audited.

Scenario 2:

Checklist for:

- EU-AIFM's managing non-EU AIF's (article 36 of the AIFMD):** The transparency reporting requirements are the same as for the EU-EU scenario.
- Non-EU AIFM's managing either EU or non-EU AIF's (article 42 of the AIFMD):** Transparency reporting requirements to host regulators for funds authorised for marketing under article 42 of the AIFMD will vary from a country to another and from a product to another. This aspect must be taken into account depending on the targeted market.

a. Material changes notification

Step plan	Guidance
Prepare and submit notification of any material changes impacting the notification with the host regulator of the AIFM.	Prepare the update of notification package: <ul style="list-style-type: none"> perform an impact analysis of the planned changes; assess whether the change is a known material change or an unknown change (triggering different deadlines for regulator notification); review and update all the locally required documents; prepare the notification package.
Timeline for notification to the home member state regulator:	
Known material changes = at the latest 1 month before implementation;	
Unknown material changes = as soon as possible.	
AIFM must transmit the amendment notice directly to all host regulators of the jurisdictions where the AIF has been notified for marketing.	
Follow-up on any subsequent queries from the host regulators regarding the notification made, if any.	
Notification procedure completed.	



3.3. Maintenance

CSSF supervision

The examination and supervision manner and frequency

Once an investment vehicle has been authorised by the CSSF and is registered on the relevant list, it will need to continue to demonstrate to the CSSF that it is continuously compliant with applicable laws and regulations. To that end, information will need to be transmitted to the CSSF on a monthly, semi-annual and annual basis.

Similarly, any modification of the constitutive documents of regulated investment vehicle, will need to be submitted and approved by the CSSF.

The access to the activity of a Management Company or an AIFM is also subject to prior authorisation of the CSSF. The authorisation given to a Management Company or AIFM and the maintaining of this authorisation also depends on of the compliance with a set of conditions described in the UCI Law (Chapters 15 and 16) for a Management Company and respectively in the AIFM Law for an AIFM. The CSSF indeed checks that the Management Company or AIFM complies with the requirements to which the company is subject to, notably through the use of information reported by this company.

The relevant disciplinary actions for violation and non-compliance

The CSSF has the power to sanction an authorised investment vehicle. It can withdraw an investment vehicle from the relevant CSSF official list when it does not comply with legal provisions governing its functioning or the marketing of its securities. The CSSF also has the power to withdraw the authorisation given to the Management Company or the AIFM for non-compliance with legal and regulatory norms related to its approval and the exercise of its activities. However, the CSSF does not have a discretionary power in that matter. It can only withdraw the authorisation if it notices that the Management Company or AIFM is in one of the following situations:

- it does not make use of the authorisation within 12 months, expressly renounces the authorisation or has ceased the activity covered by its authorisation for more than six months;
- it has obtained the authorisation by making false statements or by any other irregular means;

- it no longer fulfils the conditions under which authorisation was granted;
- it no longer complies with the Law of 5 April 1993 on the financial sector if its authorisation also covers the discretionary portfolio management service;
- it has seriously and/or systematically infringed the provisions of the UCI Law (for a Management Company) or the AIFM Law (for an AIFM) or of regulations adopted pursuant to these laws; or
- it falls within any of the cases where the UCI Law (for a Management Company) or the AIFM Law (for an AIFM) provides for withdrawal.

When such situations occur, the CSSF can grant, to the Management Company or the AIFM, a limited delay in which it can comply with legal norms or stop its activity. The duration of this delay is based on a case by case analysis of the CSSF.



Reporting requirements

Financial statements and the audit report

For UCITS, an audited annual report and an unaudited semi-annual report are to be made available free of charge to investors and sent to the CSSF within four months and two months respectively of the financial period-end. For Part II UCIs, an audited annual report and an unaudited semi-annual report are to be made available free of charge to investors and sent to the CSSF within six months, and three months respectively of the financial period-end. For SIFs and SICARs, the audit annual report shall be made available to investors and sent to the CSSF within six months, there is no requirement to produce semi-annual accounts.

In addition, the Luxembourg regulated investment vehicles shall provide the CSSF with periodic reporting on a monthly, quarterly and annual basis depending on the vehicle type.

For RAIFs, an audited annual report is only to be made available free of charge to investors upon request within 6 months of the financial period-end.

The Long-Form and other auditor reporting

The auditor must produce a “long form report” describing and testing the activities which is solely for the attention of the board of directors or the Management Company and the CSSF.

Respectively, the UCITS long form report has to be sent to the CSSF within four months and the Part II UCIs within six months. This long form report covers defined areas including among others: an evaluation of key internal control procedures existing at the central administration and depositary bank, anti-money laundering provisions, valuation methods and description of the risk management system.

SIFs, SICARs and RAIFs do not need to produce a long form report.

The statutory auditors of the vehicle should also prepare a specific report in case of material net asset calculation errors and/or investment breaches that lead to a compensation of the fund and/or its investors in accordance with the principles detailed in the CSSF circular 2002/77.

In addition to these requirements foreseen by law or regulation, the CSSF also often requests the auditor to issue specific certificates or attestations concerning:

- the pricing of OTC derivatives, where the auditor has to confirm the pricing model and list of parameters;
- the calculation methodology of performance fee;
- the validity of an outsourcing model and its conformity with local regulation.



Amendments to an existing investment vehicle

Any amendment to an existing investment vehicle, except for a RAIF, requires CSSF approval. A non-exhaustive list of such amendments is set out below:

- change of management regulations/articles of incorporation,
- change of the registered address,
- corporate events (e.g. merger, liquidation, spin off, etc.),
- change in governance of an investment company (board members, conducting persons, others),
- deletion of (a) sub-fund(s),
- change of denomination of a fund and/or sub-fund(s),
- change of investment policy/investment restrictions of an investment vehicle and/ or compartments,
- change of the set-up of investment vehicle and/or compartment (consolidation currency, compartment currency, type of share classes, etc.),
- change of rules in respect of subscriptions or redemptions,
- change of the Management Company of the investment vehicle,
- change of a service provider/an agent (depository bank, central administration, asset managers, domiciliary agent, independent valuer, paying agent, distributors, external auditor, etc.).

As for the initial approval of the investment vehicle, the amendment file shall be sent to the CSSF via e-file with the use of the relevant procedure or via electronic mail to the attention of amendments.uci@cssf.lu.

The amendment file should contain at least a detailed explanatory letter of the contemplated amendment(s), any CSSF identifier of existing undertaking or

compartment(s) subject to amendment, any supportive document of the amendments, any notices to the investors, a marked-up new version of the prospectus, management regulations, articles of incorporation and contracts where applicable.

The CSSF will acknowledge receipt of the application file in principle within two working days and will inform the responsible officer in charge of examination.

After examination of the amendment file, the CSSF will seek to contact the applicant (or contact person designated in the request) in principle within ten working days after receipt by the CSSF of the application file. The contact person may be asked to provide further information and/ or supportive documents to explain specific considerations of the request. Supplemental information or documents shall be remitted through the communication channel initially used (i.e. via e-file or via e-mail). This step may be subject to reiteration until satisfactory completion of the examination phase.

The CSSF will inform the applicant about the completion of the examination phase of the amendment request.

From this point, changes of scope or alterations of the last draft versions of constitutive documents on which the examination has been performed, are no longer permitted. Any transgression of this understanding will imply a reopening of the examination phase.

The confirmation of a satisfactory completion of examination phase allows to remit the final clean version of any compulsory documents as agreed upon and retained during examination in order to finalise the approval process by record of the amendments to enter

into force. In parallel, the CSSF will issue the relevant official approval letter(s).

Formal record of the amendments is contingent upon the remittance of all compulsory documents in a final version without alteration from the latest agreed draft versions. Any amended prospectus has to be submitted following the terms of CSSF Circular 08/371. Where subject to a change, management regulations, articles of Incorporation and agreements also have to be remitted to the CSSF in signed form.

The CSSF will register the documentation and return a visa-stamped updated version of the amended prospectus in principle within 5five working days after date of receipt by the CSSF. Where applicable, related attestations and identification codes will also be issued.

Tax considerations

Funds

Luxembourg investment funds are essentially tax-exempt vehicles, with the exception of registration duty and the annual subscription tax (in French “taxe d’abonnement”).

Corporate income tax, municipal business tax, net wealth tax

According to the Luxembourg law, Luxembourg funds are not liable to taxation on their income or capital gains. Therefore, corporate income tax, municipal business tax or net wealth tax do not apply to funds in Luxembourg. Capital gains realised on non-Luxembourg assets could potentially be subject to tax locally depending on the country of investment and the application of double tax treaties.

Subscription tax

Normal subscription tax rate

An annual subscription tax of 0.05% of net assets is payable and calculated quarterly, based on the fund’s NAV at the end of each quarter.

Reduced subscription tax rate

Money Market Funds

The rate is reduced to 0.01 % annually for funds invested solely in money market instruments and bank deposits.

SIFs and Institutional only Funds

This reduced annual tax of 0.01 % is also applicable for funds which are governed by the SIF Law and for compartments and classes of shares of UCIs, provided that the securities of such compartments or classes are reserved to one or more institutional investors.

RAIFs

A RAIF is subject to a reduced subscription tax of 0.01% p.a. of its NAV, like a SIF. However, if a RAIF invests exclusively in risk capital, it is subject to the SICAR tax regime, which means:

- it is not subject to subscription tax;
- it pays the ordinary income tax, unless a tax exemption applies (e.g. for income derived from transferable securities);
- the auditor must confirm the investment in risk capital.

Exemption from subscription tax

Fund of Funds

The proportions of a UCI’s assets invested in other Luxembourg UCIs, which have already been subject to subscription tax, are exempt for the purposes of computing the tax.

Institutional only Money Market Funds

UCIs and compartments of UCIs whose securities are reserved for institutional investors, whose sole objective is to invest in money market instruments or deposits where the weighted residual maturity of the portfolio does not exceed 90 days are exempt from the subscription tax provided that the UCI benefits from the highest possible rating from a recognised rating agency.

Exchange Traded Funds

UCIs or compartments that have as their only objective to replicate the performance of one or several indices and whose securities are listed or traded on at least one stock exchange or recognised regulated market, are exempt from subscription tax.

Microfinance Investment Funds

The Fund Law foresees an exemption from subscription tax for funds (or sub-funds) investing mainly in microfinance institutions.

Pension Pooling Vehicles

Funds dedicated to multi-employer pension vehicles or to several employers providing pension benefits to their employees are also exempt.

Withholding taxes suffered on income received

Withholding taxes levied at source on income received by a Luxembourg fund are normally not refundable (unless a relevant tax treaty applies) nor creditable. While UCIs in the form of investment companies (SICAV, SICAF) may benefit from certain double taxation treaties, FCPs will generally not.

However, the unit holders of an FCP should in theory be able to claim the reduced rate under the double taxation treaty between the country of source and the country of residence of the investors. This possibility usually applies as long as the FCP is simultaneously recognised as tax transparent by the source country and by the investor country.

According to Circular L.G. - A. n° 61, there are currently 49 double tax treaties potentially applicable to a Luxembourg SICAV/ SICAF. When there is no tax treaty application to a Luxembourg SICAV/SICAF for a particular country, there are however several possibilities to mitigate or even reduce the withholding tax costs to nil; using an intermediary vehicle can be one of these possibilities, but generally any tax structuring should be discussed with a Luxembourg tax adviser. Moreover, there are 7 double tax treaties potentially applicable to FCPs under certain conditions.

Management Company

The Management Company of a SICAV, commonly set-up in the legal form of an S.A. or an S.à r.l., is a fully taxable company being subject to municipal business tax and corporate tax (aggregate tax rate of 27.08% in Luxembourg City for 2017). A minimum net wealth tax (NWT) charge was introduced on 1 January 2016, for all corporate entities having their statutory seat or central administration in Luxembourg. The measures imposing this new charge have many similarities with the outgoing provisions for a minimum CIT charge, which were abolished with effect from the same date.

The minimum NWT applicable to all corporations (except certain holding and finance companies ("SOPARFIs")) having their statutory seat or central administration in Luxembourg would remain unchanged.

Investors

The investors are taxed according to the rules of the country of their tax residence.

Luxembourg resident investors

The taxation of investors residing in Luxembourg depends upon whether they are corporations or individuals.

a. Corporate investors

Dividends and capital gains

Dividends and realised capital gains are subject to tax (at a rate of 27.08% for 2017 for a corporation established in Luxembourg City) in Luxembourg as they are deemed to be part of the commercial profit of the investor.

b. Individual investors

Distributions by investment funds

Individual investors must declare any distributions received and will be taxed at their own progressive tax rates (maximum 45.78% for 2017). In addition, a 1.4% dependency contribution has to be added.

A total lump-sum deduction of 1,500 euros (doubled for married taxpayers taxable jointly) applies on total distributions (dividend and interest income subject to final taxation) received during the tax year.

UCIs may neither reclaim foreign withholding taxes on behalf of their investors nor transfer foreign tax credits to them, although these may in theory be available through double tax treaties.

In principle, FCPs should be considered as transparent from a Luxembourg tax point of view so that any income received by an FCP should be immediately taxable at the investor level according to its nature. Practical application of the tax transparency of the FCP is quite rare.

Capital gains

Capital gains may either:

- be taxed as speculative profit or as sale profit; or
- be exempt from taxation.

Disposition within six months

Luxembourg resident investors are deemed to make a speculative profit when they sell or exchanges their shares/ units within a six-month period following the acquisition. To the extent that the annual global amount of speculative profit exceeds 500 euros, the said profit is taxed at progressive tax rates (maximum 45.78%). In addition, a 1.4% dependency contribution has to be added.

Disposition after six months

Luxembourg resident investors are deemed to make a sale profit when they sell an important shareholding interest over the above-mentioned six-month period. Generally speaking, a shareholding interest is deemed to be important when the seller holds, or held at any time during the five previous years, alone or together with the spouse and his/her minor children, directly or indirectly, more than 10% of the capital (or of social assets if there is no capital). The said sale profit is taxed at half of the global tax rate (maximum 21.8%). In addition, a 1.4% dependency contribution has to be added.

Gains derived from the sale of shares/units, which have been held for more than six months and that do not qualify as important shareholding interest of at least 10% are tax exempt.

Non-resident investors

Under Luxembourg law, income paid to non-resident investors holding shares/units in Luxembourg UCIs is tax-exempt.

Non-resident investors are not subject to Luxembourg capital gains tax on the disposal of shares in a Luxembourg SICAV.

Exchange of information

On 10 November 2015, the EU Council has decided to repeal the EUSD with effect as at 1st January 2016 (with transitional period available to Austria). As from that date, Common Reporting Standard ("CRS") will apply in most of EU countries including Luxembourg and other countries that signed the Multilateral Competent Authority Agreement ("MCAA") and that are considered as early adopter countries. The EU has transposed the CRS by virtue of the amended EU Directive on Administrative Cooperation (DAC 2), adopted on 9 December 2014, which the EU Member States had to incorporate into their national laws by 31 December 2015. In this respect, the Luxembourg CRS law dated 18 December 2015 ("CRS law") was published in the Mémorial A – N° 244 on 24 December 2015.

This new global standard developed by the OECD for the automatic exchange of information will go beyond the limited scope of the EUSD and will extend the scope of that exchange to include interest, dividends and other types of income. Therefore, as from 1 January 2016, Luxembourg will no longer apply the EUSD regime but the CRS regime.

CRS was inspired by the Foreign Account Tax Compliance Act ("FATCA"), Model 1 Intergovernmental Agreements ("Model 1 IGAs") signed by several jurisdictions with the United States. The Luxembourg – United States IGA, signed on 28 March 2014, was implemented in Luxembourg by the law dated 24 July 2015.

Luxembourg funds and asset managers usually qualify as Financial Institutions ("FIs") under these legislations. Non Reporting FI status may be applicable, but have to be determined on a case by case basis. Minor differences exists in this respect under the FATCA and CRS legislation and have to be analysed (e.g. the Non Reporting FI status

Investment Advisor and Investment Manager, while available under FATCA is no longer applicable under CRS).

As Reporting FIs, Luxembourg funds will have due diligence, documentation and reporting (to the Luxembourg tax authorities) obligations. FATCA also imposes a registration and withholding obligation.

Each Luxembourg Reporting FI will have to file a report to the Luxembourg tax authorities prior to 30 June following each reportable period”.

Value Added Tax (VAT)

The management of investment funds (UCITS, non-UCITS and AIFs) is exempt from VAT in Luxembourg. The VAT exemption applies among others to the investment management (including risk management) and administrative functions, including investment advice, transfer and registrar agent functions, etc.

Management services outsourced to third-party managers also benefit from the VAT exemption under certain conditions. They must form a distinct whole and should be specific to and essential for the management of the fund. In this regard, the outsourcing of only one “isolated” type of service may not benefit from this VAT exemption.

The distribution of investment funds is also exempt from VAT.

Other services like legal and audit services rendered to investment funds cannot benefit from a VAT exemption and are subject to the 17% standard VAT rate.

The depositary services are partly exempt from VAT. The part related to the control and supervision functions of the depositary is subject to a reduced VAT rate of 14%.

Investment funds with corporate form are VAT taxable persons and may be required to register for Luxembourg VAT purposes when they receive goods or services from abroad for which they are liable to account for Luxembourg VAT on a reverse charge basis. FCPs are liable to account for Luxembourg VAT on a reverse charge basis through the VAT number of their Management Company.

Challenges

Withholding and capital gains taxation

Withholding and capital gains taxes represent today one of the hottest topics in the fund industry. Various countries have recently introduced new taxes or revised their regimes, in some cases requiring the funds to calculate and remit the taxes to the tax authorities in the source countries themselves. Market practice sometimes diverts from the strict interpretation of the law. This creates potential risks of uncovered tax exposure for the fund industry.

In the United States for example, the Internal Revenue Service (IRS) and the US Treasury Department issued on 18 September 2015 final and temporary regulations that prescribe rules for treating ‘dividend equivalent payments’ with respect to US equities as US source dividend income subject to US information reporting and withholding (Section 871(m)). The proposed entry into force is foreseen on 1 January 2017.

These regulations will have a significant impact on asset managers whose portfolios contain instruments linked to US equities, including a broad range of equity derivatives as well as equity-linked notes and convertible debt instruments.

Reporting

There are no particular tax reporting requirements in Luxembourg, except the requirements under the automatic exchange of information regimes as defined above. Luxembourg funds may however be obliged to file tax related reports to the jurisdictions of their investors, particularly in the countries that consider investment funds as transparent entities.

Germany, for example, requires the publication of specific accumulated income figures on a daily and yearly basis which have to be computed according to the German highly complex fund tax reporting framework, so that resident investors are taxed according to local tax regulation. Otherwise the investors are tax-penalised and have to pay an unfavourable lump sum.

Financial Transaction Tax

The EU Commission has proposed a Directive introducing a Financial Transaction Tax (“FTT”) applicable to financial transactions including purchase and sales of transferable securities, units, shares, bonds (tax rate is 0.1% for each financial institution party to the agreement) and derivatives agreements, i.e. forwards, futures, swaps (tax rate is 0.01% for each financial institution party to the agreement).

At the moment 11 EU Member States in favour of the introduction of this tax, have decided to go forward by way of enhanced cooperation. The countries joining the Enhanced Cooperation Procedure (“ECP”) are Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain. The Netherlands may join the ECP, but this is subject to certain conditions on the form of the final regime.

The standing proposal is criticised for its cascade effect – if an operation consists of several transactions, the tax may be derived on each stage. For this reason there were substantial amendments of the draft proposed. The further development of the procedure shall be known in the course of the next few months.

In parallel, France has introduced its version of FTT on 1 August 2012 and Hungary on 1 January 2013. In Italy, the local FTT has entered into force in March 2013 for transactions over equities and in September 2013 for transactions over derivatives. Further, the potential introduction of FTT was discussed in Spain (first draft presented in September 2012) and in Portugal (introduction of the FTT authorised by the Budget Bill for 2013). Whether these initiatives result in a binding ruling depends mainly on the oncoming implementation of the EU FTT.

In the meantime financial institutions should take advantage of the delayed timing to start analysing potential impacts of the FTT on their businesses and building a strategic response.

3.4. Restructuring

Mergers

Mergers of companies (for Part II UCI, SIF, SICAR and RAIF)

Typically in Luxembourg, there are generally two types of mergers possible between companies, which are provided for in the Law of 10 August 1915 on commercial companies: the merger by absorption and the merger by creation of a new company, whereby the merging companies, following their dissolution without liquidation, transfer all their assets and liabilities to another company in exchange of shares of the receiving company and a cash payment, if any, not exceeding 10% of the nominal value of the shares so issued or, in the absence of a nominal value, of their accounting par value.

These two types of mergers are possible for SICARs, as well as for Part II UCIs, SIFs and RAIFs organised under the form of investment companies. These two types of mergers are not possible for Part II UCIs and SIFs organised under the form of common funds. In that last case, the contribution of assets from one investment vehicle to another investment can be envisaged as a solution to get the same result.

Contribution of assets of one compartment to another sub-fund (for Part II UCI, SIF, SICAR and RAIF)

To contribute one sub-fund to another sub-fund of the same investment vehicle or to the compartment of another investment vehicle, the articles of incorporation shall specify whether the board of directors of the investment vehicle or the general meeting of shareholders have the power to decide the contribution of assets. Where this decision belongs to the board of directors, the articles of incorporation shall indicate in which cases a compartment may be closed by contribution to another compartment (e.g. if the net assets fall below a certain threshold) or provide that such closing may be decided in case of change of the economic and political situation. Where the decision to contribute belongs to the general meeting of shareholders, the articles of incorporation shall specify whether this decision is subject to the approval of all shareholders of the investment company or only to the shareholders of the contributing sub-fund. In both cases, the articles of incorporation shall provide for the quorum and majority requirements, being understood that the decision may validly be taken without any quorum requirement by a simple majority of present or represented shareholders.

Once taken, the decision to contribute shall be communicated to shareholders according to the publication rules of shareholders' notices set out in the prospectus of the investment company. Before the contribution of assets takes effect, the articles of incorporation shall also provide for shareholders, who do not wish to contribute their assets, a period of at least one month to redeem their shares free of charge.

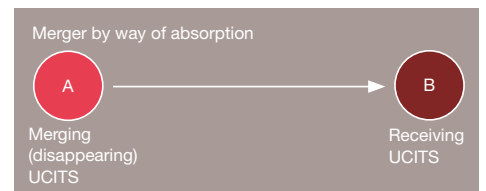
In case of investment vehicles organised as FCP, it is assumed that the decision to contribute one sub-fund to another sub-fund of the same investment vehicle or to the compartment of another investment vehicle belongs to the board of directors of the Management Company. It is not excluded however that the management regulations give that power to a meeting of unitholders instead of the board of directors of the Management Company.

As regards to cross-border contributions of assets, the current regulatory framework does not allow that investors in a Luxembourg investment vehicle be transferred, without their approval, to foreign investment vehicles. The contribution of assets to a foreign investment vehicle is thus only possible with the unanimous approval of all investors of the relevant compartment or provided that only the investors who approved the operation be transferred.

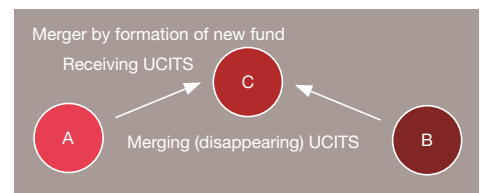
UCITS IV mergers

A UCITS or sub-fund of a UCITS may be merged with another UCITS or another sub-fund of a UCITS under one of the three following options, which result from the transposition into Luxembourg law of the UCITS IV Directive:

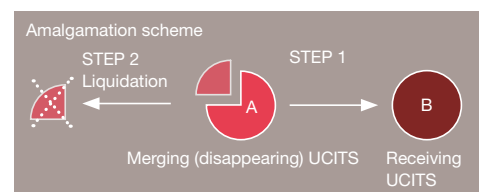
- One or more UCITS or investment compartments thereof, the “merging UCITS”, on being dissolved without going into liquidation, transfer all of their assets and liabilities to another existing UCITS or an investment compartment thereof, the “receiving UCITS”, in exchange for the issue to their investors of units/shares of the receiving UCITS and, if applicable, a cash payment not exceeding 10% of the NAV of those units/shares.



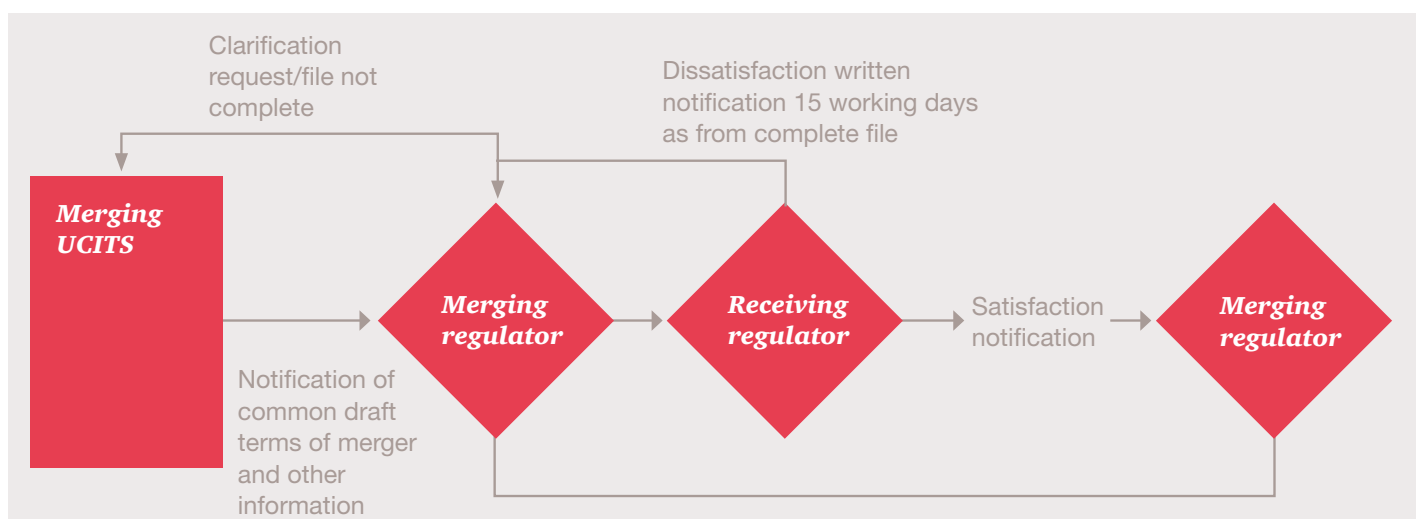
- Two or more UCITS or investment compartments thereof, the “merging UCITS”, on being dissolved without going into liquidation, transfer all of their assets and liabilities to a UCITS which they form, or an investment compartment, thereof the “receiving UCITS”, in exchange for the issue to their investors of units/shares of the receiving UCITS and, if applicable, a cash payment not exceeding 10% of the NAV of those units/shares.



- One or more UCITS or investment compartments thereof, the “merging UCITS”, which continue to exist until the liabilities have been discharged, transfer their net assets to another investment compartment of the same UCITS, to a UCITS which they form or to another existing UCITS or an investment compartment thereof, the “receiving UCITS”.



Another big step, which has been introduced by the UCITS IV Directive, is the possibility to make cross-border mergers between UCITS established in different Member States under anyone of the three options mentioned above. The approval process of such cross-border mergers is set out in the diagram below:



Practical implications

- Before deciding on a merger, an initiator should undertake an in-depth review to analyse the major implications and identify the key factors to be taken into account, including distribution, tax and regulatory issues. It is worth noting that tax is often the most important consideration, as a merger has generally significant tax implications for investors.
- The promoter needs to analyse the different merger techniques to choose the most appropriate one. A clear plan for managing the merger will ensure it goes smoothly, without regulatory or operational difficulties on transfer.
- The promoter will have to make sure that the investment policies of the merging and receiving investment vehicle are aligned, as well as each of the portfolios, to avoid possible investment breaches.
- The rules relating to the merger decision and the way information is provided to investors is subject to local laws and potentially, may be different from one investment vehicle to another: the promoter will have to comply with specific local/vehicle requirements and manage possibly divergent rules.

Tax considerations on mergers

Funds taxation upon merger

Since funds are not subject to capital gains tax, neither inbound, nor outbound mergers should trigger capital gains tax in Luxembourg. Thus, from a fund point of view, fund mergers should be tax neutral.

Investors' taxation upon merger

Generally, investors' tax treatment will depend on the applicable tax treatment in their countries of domicile. In Luxembourg, investors are taxed in case of domestic mergers, foreign mergers and cross-border mergers, whether inbound or outbound. This is based on the view that a merger might be seen as a sale of shares which gives rise to taxation. As a consequence, there is no tax neutrality for fund mergers in Luxembourg from an investor point of view.

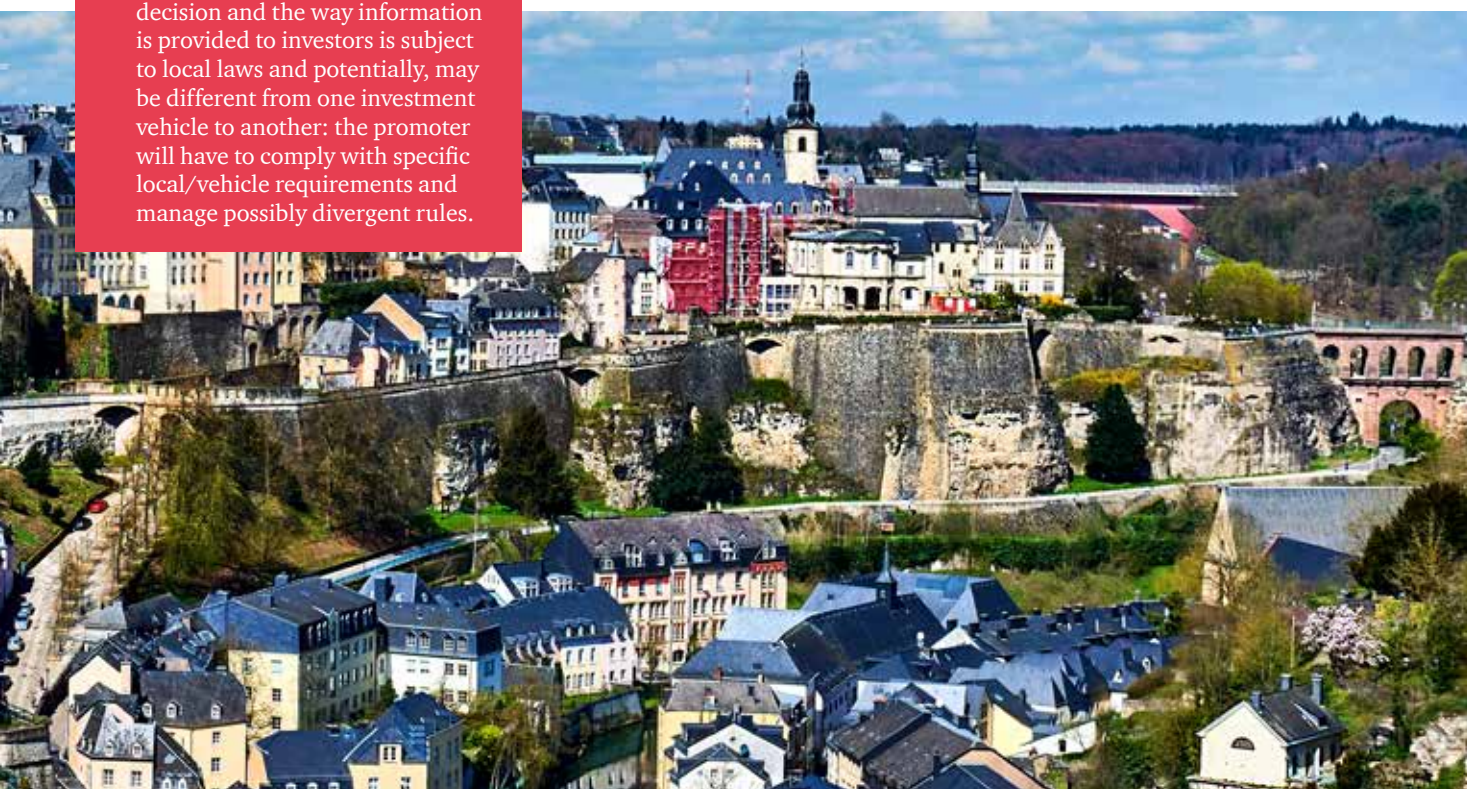
Other tax considerations upon merger

The merger of funds might imply a variety of tax consequences. It will be key to consider the impact of EU Savings Directive (including tax and reporting duties) as the Directive normally triggers a reportable/taxable event where it is applicable.

Exit taxation and/or reorganisation/stamp duties in underlying investments' countries should also be closely analysed.

In some circumstance, a merger may qualify as a transfer of going concern and, therefore be out of scope of the VAT requirements. This should be confirmed at a national level, as conditions can vary between EU Member States.

However, reorganisations can create additional and often irrecoverable VAT costs. Considering the VAT implications as part of the reorganisation plan should enable the promoter to take advantage of any opportunities while mitigating VAT costs.



Master-feeders

Master-feeder structures enable strategies in view of pooling funds' assets and achieving economies of scales. The use of such structures in Luxembourg was always possible for Part II UCIs and SIFs, as well as for SICARs (provided the target funds also fulfil the investment in risk capital requirement), but was prohibited for UCITS. The transposition of UCITS IV in Luxembourg with the UCI Law allows this for UCITS. The use of a master-feeder structure is also possible for RAIFs.

The feeder fund is the "cash collection point" in the target distribution country in which retail and/or institutional investors may be allowed to invest. The feeder fund invests the cash received from its own investors in the master fund, becoming itself an investor of the master fund.

UCITS IV master-feeder structures

Any UCITS (FCP or SICAV/SICAF) or any investment compartment thereof is permitted to adopt a master-feeder investment policy. A feeder UCITS derogates, by law, from the usual UCITS diversification limits in order to be allowed to invest up to 100% of its assets in only one target UCITS. However, UCITS master-feeder structures are only allowed between European coordinated UCITS, meaning that both the feeder UCITS and the master UCITS must be subjected to the UCITS IV Directive. At the level of the master UCITS, besides the feeder UCITS' investments, other investors could be present: institutional or retail investors, other funds of funds and even other feeder funds.

Investment restrictions: A feeder UCITS has to invest at least 85% of its assets in the master UCITS and the 15% remaining assets are invested in ancillary liquid assets, derivatives for hedging purposes and movable and immovable property essential for the direct pursuit of the business (for investment companies only). The master UCITS is subject to the classic diversification limits as set forth in part I of the UCI Law. To avoid the creation of opaque structures, the master UCITS is not allowed to invest in another feeder or be itself a feeder.

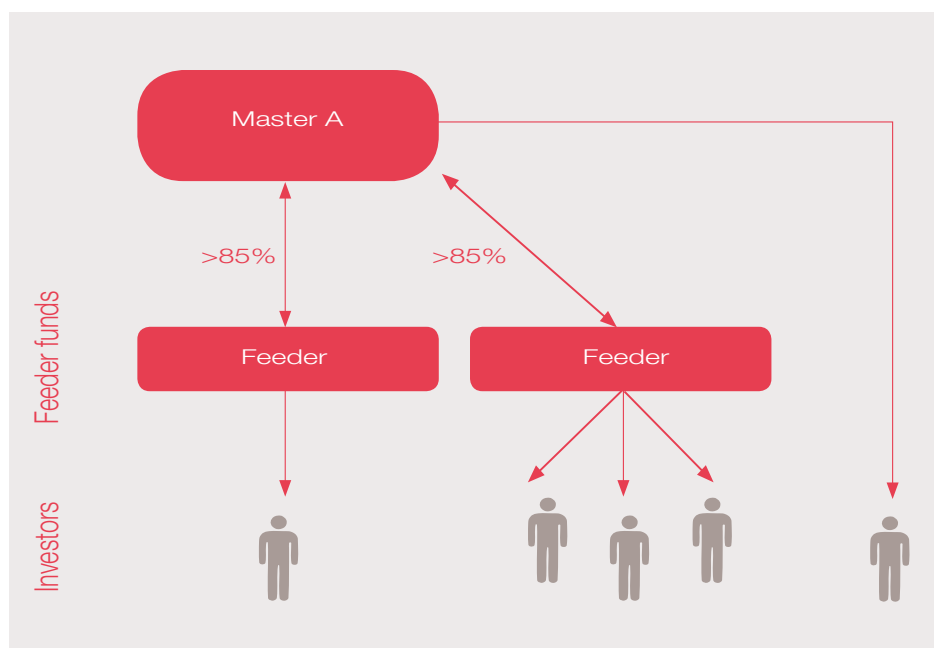
Competent regulators: The UCITS master-feeder structure is subject to the authorisation of the feeder UCITS' home regulator. If the feeder UCITS and the master UCITS are domiciled in two different jurisdictions, the home regulator of the master UCITS is solely involved to officially confirm in writing that the master UCITS complies with the investment restrictions.

Approval of master-feeder structures: For its creation, a Luxembourg feeder UCITS has to provide the CSSF with a set of documents, including its own constitutive documents and KIID, but also information related to the master UCITS (constitutive documents, KIID, the master UCITS regulator's attestation where applicable, the information sharing agreements put in place between master and feeder, and also between their respective auditors and depositaries). All documents must be transmitted to the CSSF in one of the official languages Luxembourg (i.e. French, German or Luxembourgish) or English.

Approval should be granted within 15 working days following the submission of a complete file.

In case of conversion of an existing UCITS into a feeder UCITS, the same principles apply, being however understood that the feeder UCITS has to (i) prior inform its existing investors who will have the right to request within 30 days the repurchase or conversion of their shares without charges other than disinvestment costs and (ii) notify accordingly each regulator of the feeder UCITS host Member States in case of cross-border distribution.

Monitoring of the master UCITS: The feeder UCITS has to monitor the activity of the master UCITS. For that purpose, an information sharing agreement between the feeder UCITS and the master UCITS is compulsory (except in the case where both master UCITS and feeder UCITS are managed by the same Management Company which may apply its internal conduct of business rules) to ensure adequate information flows are in place. The depositary of the master UCITS is responsible for immediately informing both its own and the feeder UCITS' regulator, the feeder UCITS itself, but also the feeder UCITS' depositary and Management Company (if applicable) of any irregularities detected with regard to the master UCITS.



Content of marketing information:

- The prospectus of the feeder UCITS shall contain:
 - a declaration that the feeder UCITS is a feeder of a particular master UCITS and as such permanently invests 85% or more of its assets in that master UCITS;
 - the investment objective and policy, the risk profile and the performances of the feeder UCITS and the master UCITS are identical, or to what extent and for which reasons they differ, including a description of the remaining assets not invested in the master UCITS (if any);
 - a brief description of the master UCITS (organisation, investment objective, how the prospectus of the master may be obtained, etc.);
 - a summary of the information sharing agreement established between the feeder UCITS and the master UCITS;
 - how the investors may obtain further information on the master UCITS and the information sharing agreement between the feeder UCITS and the master UCITS;
 - a description of all charges payable by the feeder UCITS by virtue of its investment in the master UCITS and aggregate charges of the feeder UCITS and master UCITS;
 - a description of the tax implications of the investment into the master UCITS for the feeder UCITS.
- The KIID of the feeder UCITS shall describe:
 - the proportion of the feeder UCITS' assets invested in the master UCITS;
 - the master UCITS' objectives and investment policy;
 - the investment returns of the feeder UCITS and master UCITS and explanations related to potential differences;
 - the Synthetic Risk and Reward Indicator (SRRI) of the feeder UCITS and master UCITS differences and explanations related to potential differences;
 - the combination of costs of the feeder UCITS and master UCITS in the ongoing charge figure.
- A statement on the aggregate charges of the feeder UCITS and the master UCITS must be included in the annual report of the feeder UCITS as well as how the annual and semi-annual report of the master UCITS can be obtained (also in the semi-annual report).

Practical implications

- Information flows and monitoring requirements are quite heavy in particular for master-feeder structures using service providers not belonging to the same group.
- A new value chain and related fee arrangements will probably need to be put in place, implying management decisions but also regulatory, tax, operational and marketing analyses.
- Potential accounting, central administration and KIID production issues should not be under-estimated, in particular in case of cross-border master-feeder structure.
- Potential tax impact and regulatory reporting requirements must be closely analysed before any restructuring decision.
- Fund promoters will lastly have to make sure that the savings envisaged by a master-feeder structure will exceed the costs incurred, including marketing risks.

Tax consideration on Master-Feeder structures

From the tax point of view, the issue may be the redemption of the master fund shares by the feeder funds and withholding taxes if the feeder funds receive dividends. Where the master fund is located in Luxembourg, no withholding tax would arise on payments made by the master fund to the feeder fund, regardless of the place of residence of the feeder fund. The capital gains realised by the feeder fund from the disposal of interests in a Luxembourg master fund should not be subject to tax in Luxembourg neither.

However, other potential tax and reporting requirements must be closely analysed before any restructuring decision is made. Indeed, adopting a master feeder-structure may have significant implications for investors in their country of residence, for the fund in terms of reporting (Austria, Germany, etc.) and may even have some tax impacts in the underlying assets' countries.

Re-domiciliation

Over the last years, some offshore promoters decided to locate their investment management activities in Luxembourg by re-domiciling their existing offshore funds in Luxembourg. This trend is, in particular, the result of:

- the attractiveness of Luxembourg as a leading country of domicile for investment funds thanks to its worldwide recognised reputation, its tax regimes, its technical and labour competitiveness, its flexibility while having a strong regulated environment, and its professionalism;
- its stability from a political, economic and tax viewpoint;
- the reactivity of its government/parliament and the proactivity of the Luxembourg financial players to continuously adapt its legal and regulatory framework;
- the recent fund market turmoil and the related regulators and investors' mistrust for offshore alternative funds;
- the implementation of the AIFMD, the aim of which consists in creating a real European financial market for alternative investment fund managers while enforcing a harmonised regulatory framework.

Techniques of re-domiciliation

In practice such a re-domiciliation could be achieved:

- by contributing the assets and the investors from an existing investment vehicle to a Luxembourg one; or
- by merging existing investment vehicles on a cross-border basis; or
- by transferring the registered office of an offshore vehicle incorporated under the form of a company to Luxembourg without interruption of its legal personality.

The first two techniques, the contribution of assets and the merger of vehicles, have already been discussed previously in the sections above. The last technique, the transfer of a registered office, corresponds to the strict meaning of a re-domiciliation from a legal perspective. Such a re-domiciliation may be set out in a five-step approach as follows:

1. Initialisation of the re-domiciliation process by the governing body of the vehicle:

the governing body of the vehicle (i.e. the board of directors in a public limited company or the general partner in a limited partnership) decides to convene a general meeting of shareholders of the vehicle in order to transfer the seat of the offshore vehicle to Luxembourg. Depending on the local practice, the regulator in the country of origin may need to be contacted for prior approval.

2. Preparation of the re-domiciliation: the "Luxembourg fund documents" must be drafted (i.e. articles of incorporation, prospectus, agreements, etc.) and the CSSF must be contacted to get its approval on the re-domiciliation project, the draft fund documents and the transfer process (although such a prior approval is not required in the case of SIFs, it is highly recommended). The governing body must also liaise with the existing and the newly appointed service providers in order to put in place agreed upon procedures and operating memorandum so as to ensure a smooth transfer of the assets and investors on the effective date of re-domiciliation.

3. Holding a general meeting of the shareholders of the offshore vehicle in the country of origin: the existing investors must decide to transfer the statutory seat and effective place of management of the vehicle, to submit it to Luxembourg laws with continuation of its legal personality and to amend the Fund's articles of incorporation accordingly.

4. Approval of the authority of the country of origin: the governing body of the vehicle must send a complete re-domiciliation file to the offshore regulator for final approval and must accomplish relevant formalities with tax and administrative authorities in the country of origin.

5. Holding of a general meeting of the shareholders of the vehicle before a notary in Luxembourg, in order to ratify the re-domiciliation in Luxembourg and to enforce the amended articles of incorporation of the vehicle.

Practical implications

At the investors' level:

- Investors' number of shares may remain unchanged (through making sure that the NAV per share remains unchanged at the time of re-domiciliation).
- The investment vehicle's ID will be changed (ISIN codes, etc.).
- Dealing arrangements will be modified (new registrar and transfer agent to be appointed) but payment flows may remain unchanged.
- It may be a taxable event for the investors in their home country. A review on a case-by-case basis, country by country, is needed.
- Taxation treatment at investor's level might be more beneficial (investment into a regulated European fund).

At the investment vehicle's level:

- The vehicle will be subject to the regulatory supervision of the CSSF.
- The legal personality of the vehicle is not interrupted: some existing agreements may remain in force (no re-negotiation impacts).
- New service providers must be appointed to comply with Luxembourg requirements: Luxembourg domiciliary agent, administrator, registrar and transfer agent, depositary and auditor.
- Investment policies and restrictions may remain unchanged (unless the fund takes the form of a UCITS in which case amendments to the investment policies and restrictions are likely to occur).
- Fees may remain globally unchanged even if fee arrangements will be different (new service providers appointed).
- The vehicle's name may remain unchanged and performance track record may be kept for marketing purposes.
- Existing marketing arrangements may remain applicable (to be reviewed however country by country).

- Taxes withheld by underlying assets' countries may be reduced or eliminated as 42 Double Tax Treaties may apply to Luxembourg vehicles incorporated under a corporate form (i.e. SICAV).
- Tax transparency of Luxembourg funds incorporated under a contractual form (FCP) might lead to the beneficial application of the Double Tax Treaty between underlying investments' country and investors' country.
- An in-depth VAT analysis of providers' and vehicle's positions should be performed upon re-domiciliation.

Tax considerations on Re-domiciliation (migration)

Funds taxation upon migration

The transfer of the effective place of management or registered office of a fund to Luxembourg (inbound migration) should give rise only to the registration duty of EUR 75.

An outbound migration of a Luxembourg fund would normally be assimilated from a tax point of view to a liquidation and is generally not subject to tax in Luxembourg.

Again, considering the VAT implications as part of the reorganisation plan and (re) domiciliation decision may allow taking advantage of opportunities and mitigating VAT costs.

Investors' taxation upon migration

Similarly to the case of a merger, the investors' tax treatment will depend on the applicable rules in the country of residence of every investor.

Other tax challenges

Management Company passport and residency conflicts

According to UCITS IV and AIFMD, Management Companies could carry out collective portfolio management activities in other Member States for which they have been authorised in their country of origin, either through the free provision of services or by establishing a local branch.

From a tax perspective, this opportunity could generate some tax residency issues for funds managed by a Management Company established in a different jurisdiction. As a consequence, and depending upon particular facts and circumstances, a foreign fund could potentially be taxed in the country where the Management Company is resident.

The Fund Law brings a legal certainty by expressly stating that, where a foreign UCI is managed by a Luxembourg-based Management Company (or where the UCI's place of effective management is located in Luxembourg), the UCI will not be deemed to be domiciled in Luxembourg and will therefore not be subject to any tax in Luxembourg.

Transfer Pricing

Fee structures are changing around Europe as a result of European jurisdictions introducing inducement bans and/or transparency rules of MiFID II; and AIFMD is causing asset managers to review and amend their existing operating models resulting in a move of functions cross-border and profits shifting between countries.

These evolutions have significant consequences as regard Transfer Pricing.

AIFMD tax consequences

AIFMD is changing operation set-up of managers and their products. Transfer and changes to group structure as a result of implementation of AIFMD rules within asset management groups trigger tax questions like exit taxes, transfer pricing and permanent establishment issues.

3.5. Liquidation

Liquidation of investment vehicles and compartments

There are four types of liquidation of an investment vehicle: the voluntary liquidation, the liquidation for any cause provided for in the articles of incorporation or the management regulations (e.g. end of the period for which the vehicle was set up), the legal liquidation (e.g. the capital of the vehicle falls below a certain threshold) and the judiciary liquidation. The sections below do not provide an exhaustive regulatory framework of liquidation of investment vehicles and their compartments, but focuses on main liquidation procedures encountered in practice.

Liquidation of a SICAV

The voluntary liquidation of a SICAV

The liquidation of a SICAV requires the prior communication to the CSSF (however not required for RAIFs), which must approve the documentation related to the liquidation of the SICAV, i.e. the proposal of the board of directors of the SICAV and the convening and holding of two extraordinary general meetings and the liquidator.

The first extraordinary general meeting decides to approve or not the proposal of the board of directors to put the SICAV into liquidation and to appoint a liquidator. Such meeting shall be held before a notary, shall not validly deliberate unless at least half of the capital is represented (quorum requirement) and the convening notice indicates the purpose of the meeting, i.e. appointment of a liquidator approved by the CSSF, method of liquidation. If that condition is not satisfied, a second meeting may be convened, in the manner prescribed by the articles of incorporation.

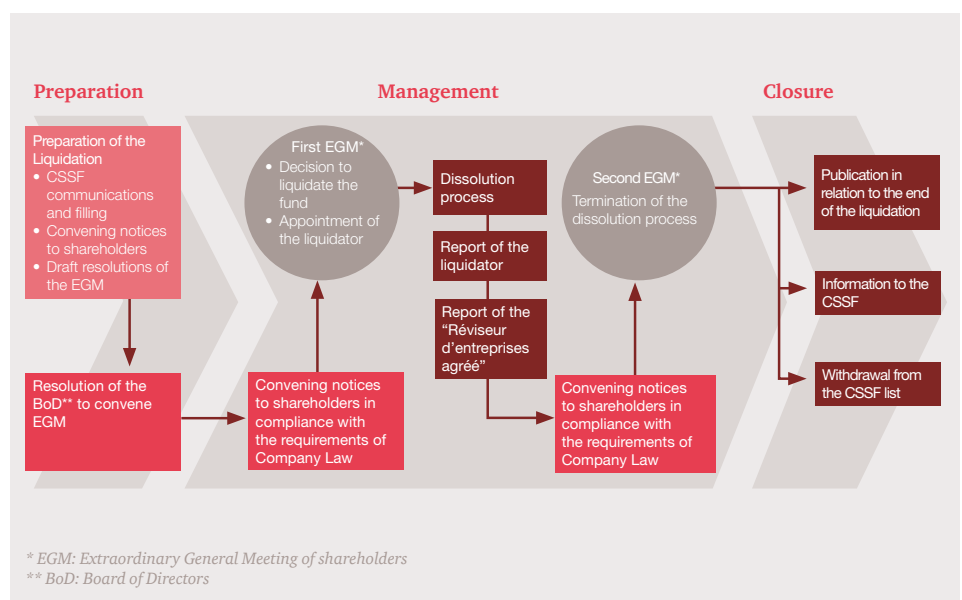
As a consequence of the liquidation, the directors no longer have any power. Such powers are transferred to the appointed liquidator. The SICAV is deemed to exist until the liquidation is closed and remains subject to supervision by the CSSF (however not applicable to RAIFs). All documents issued by the SICAV in liquidation shall indicate that it is in liquidation.

The second extraordinary general meeting decides, at the end of liquidation operations, the closing of the liquidation. Such meeting validly deliberates regardless of the proportion of the capital represented (no quorum requirement) and the convening indicates the purpose of the meeting, i.e. the report of the liquidator on the use of assets, the report of the external auditor on the liquidation, the approval of accounts during the liquidation period, the discharge of the liquidator and the discharge of the directors, the closing

of the liquidation, the decision on the place where corporate books and documents will be lodged, the measures taken for the deposit in escrow of the sums and assets due to shareholders, which it has not been possible to deliver to them. At this second meeting, resolutions, in order to be adopted, must be carried by a simple majority of the votes cast.

Notice of completion of the liquidation shall then be published.

In case there is only one shareholder in the SICAV and the SICAV is incorporated under the form of a public limited company, it is also possible to avoid the holding of two extraordinary general meetings by holding only one meeting before the notary to formalise in a notarial deed that the SICAV is liquidated. In such a case the sole shareholder takes on its own account the assets and liabilities of the SICAV and discharges the directors and external auditor of the SICAV.



The legal liquidation of the SICAV for insufficient capital

If the capital of the SICAV falls below two thirds of the minimum capital, the directors or the management board, as the case may be, shall submit the question of the liquidation of the SICAV to a general meeting for which no quorum shall be prescribed and which shall decide by a simple majority of the shares represented at the meeting.

If the capital of the SICAV falls below one quarter of the minimum capital, the directors or the management board, as the case may be, shall submit the question of the liquidation of the SICAV to a general meeting for which no quorum shall be prescribed; dissolution may be resolved by shareholders holding one quarter of the shares at the meeting.

The meeting shall be convened so that it is held within a period of forty days as from the ascertainment that the net assets have fallen below two thirds or one quarter of the minimum capital, as the case may be.

Liquidation of a FCP

The voluntary liquidation of an FCP

The liquidation of an FCP also requires the prior communication of the CSSF (however not required for RAIFs), which must approve the documentation related to the liquidation of the FCP. The management regulations of the FCP specify the modalities to liquidate the FCP. The decision to liquidate an FCP belongs to the Management Company of the FCP and consists in two decisions of the board of directors of the Management Company: one decision to put in liquidation the FCP and one other decision to close the liquidation.

The first of these two decisions is communicated to unitholders of the FCP by way of a notice, published in the Luxembourg legal publication (i.e. as from 1 June 2016 the “Registre Electronique des Sociétés et des Associations”, previously known as the Memorial C) and in at least two newspapers with adequate circulation, one of which at least shall be a Luxembourg newspaper. As soon as the

event giving rise to liquidation of the FCP occurs, the issue of units is prohibited. The repurchase of units remains possible provided the equal treatment of unitholders can be ensured. The FCP is deemed to exist until the liquidation is closed and remains subject to supervision by the CSSF (however not applicable to RAIFs). All documents issued by the FCP in liquidation shall indicate that it is in liquidation. The liquidator function is in principle ensured by the Management Company of the FCP itself.

The second of these two decisions, which closes the liquidation period, sets the modalities of the closing (e.g. amount of liquidation boni, place where amounts not claimed are lodged as well as documents). This second decision is also communicated to unitholders of the FCP by way of a notice, published in the Luxembourg legal publication and in at least two newspapers with adequate circulation, one of which at least shall be a Luxembourg newspaper. CSSF considers the remittance of the amounts not claimed during the liquidation period shall be paid to the public trust office (i.e. the Caisse de Consignation) within nine months as from the decision to put the FCP into liquidation.

The legal liquidation of an FCP for insufficient capital

The liquidation of an FCP shall also take place if the net assets of the FCP have fallen for more than six months below one quarter of the minimum capital requirement (EUR 1,250,000). Notice of the event giving rise to liquidation shall be published without delay by the Management Company or the depositary. Failing this, the notice will be published by the CSSF at the expense of the FCP. The notice shall be published in the Luxembourg legal publication (i.e. as from 1 June 2016 the “Registre Electronique des Sociétés et des Associations”, previously the Memorial C) and in at least two newspapers with adequate circulation, one of which at least shall be a Luxembourg newspaper.

As soon as the event giving rise to liquidation of the FCP occurs, the issue of units shall be prohibited, on penalty of nullity. The repurchase of units remains possible provided the equal treatment of unitholders can be ensured.

Liquidation of a compartment of an investment vehicle

In principle, the liquidation of a compartment of an investment vehicle does not result in the liquidation of the investment vehicle itself. Only the liquidation of the last remaining compartment of the vehicle results in the liquidation of the whole structure. Once the last remaining compartment is liquidated in such a case, the liquidation of the investment vehicle shall be made before a notary and shall be formalised in a notarial deed.

The liquidation of a compartment of a SICAV

The decision to liquidate a compartment of a SICAV belongs to the board of directors of the SICAV or to the shareholders meeting, depending on the provisions of the articles of incorporation of the SICAV.

In case the power to liquidate belongs to the board of directors, the articles of incorporation shall determine the cases in which such a liquidation may be decided (e.g. if the net assets of the compartment fall below a certain threshold) or shall provide that such a decision may be taken in case of change of the economic and political situation.

In case the power to liquidate belongs to the general meeting of shareholders, the articles of incorporation shall specify whether such decision shall be submitted to the approval of all shareholders of the SICAV or only to the shareholders of the relevant compartment.

In both cases, the articles of incorporation shall provide the quorum and majority requirements for the deliberations of the general meeting of shareholders, being understood that the decision to liquidate may be validly taken without quorum requirement by a simple majority of the votes cast.

Where the decision to liquidate is validly taken, the decision shall be published according to the publication rules set out in the prospectus for the publication of shareholders' notices. This publication shall be submitted to the prior approval of the CSSF and shall provide information on the reasons and modalities of the liquidation operation.

Unless there is a decision to the contrary from the board of directors of the SICAV or from the general meeting of shareholders, the SICAV may, before the decision to liquidate is taken, continue to redeem shares of the relevant compartment. For these redemptions, the NAV shall take into account the future costs of liquidation, but without deduction of a redemption fee or any other fee. Formation expense shall be fully amortised once the decision to liquidate is taken.

The assets that have not been distributed to their beneficiaries at the closing date of the liquidation may be safe-kept by the depositary bank for a 6-month period as from that date. Beyond this 6-month period, these assets shall be deposited with the public trust office (i.e. the Caisse de Consignation) and remain at the disposal of their beneficiaries.

In the framework of the legal audit, the external auditor of the SICAV shall verify the operations of liquidation and notably the liquidation costs of the compartment. The annual report related to the financial year in which the liquidation decision was taken shall refer to that decision and shall give details on the status of liquidation operations.

The liquidation of a compartment of an FCP

The decision to liquidate a compartment of an FCP belongs either to the board of directors of the Management Company or to the meeting of unitholders depending on the provisions of the management regulations of the FCP. In the latter case, the management regulations shall provide for quorum and majority requirements for the deliberations of the meeting of unitholders, which can take the form a

decision without quorum requirement adopted by a simple majority of the votes cast.

The management regulations shall determine the cases in which such a liquidation may be decided (e.g. if the net assets of the compartment fall below a certain threshold) or shall provide that such a decision may be taken in case of change of the economic and political situation.

Where the decision to liquidate is validly taken, the decision shall be published according to the publication rules set out in the prospectus for the publication of unitholders' notices. This publication shall be submitted to the prior approval of the CSSF and shall provide information on the reasons and modalities of the liquidation operation.

Unless there is a decision to the contrary from the board of directors of the Management Company or from the general meeting of unitholders, the FCP may, before the decision to liquidate is taken, continue to redeem units of the relevant compartment. For these redemptions, the NAV shall take into account the future costs of liquidation, but without deduction of a redemption fee or any other fee. Formation expense shall be fully amortised once the decision to liquidate is taken.

The assets that have not been distributed to their beneficiaries at the closing date of the liquidation may be safe-kept by the depositary bank for a 6-month period as from that date. Beyond this 6-month period, these assets shall be deposited with the public trust office (i.e. the Caisse de Consignation) and remain at the disposal of their beneficiaries.

In the framework of the legal audit, the external auditor of the FCP shall verify the operations of liquidation and notably the liquidation costs of the compartment. The annual report related to the financial year in which the liquidation decision was taken shall refer to that decision and shall give details on the status of liquidation operations.

Tax considerations

Dissolution of Luxembourg funds does not trigger any taxation in Luxembourg.

Similarly to the case of merger, the investors' tax treatment will depend on the applicable rules in the country of residence of every investor, in addition exit taxation and/or stamp duties in underlying investments' countries should also be closely analysed.

4. An influential player in Luxembourg



We have extensive interactions with the Asset Management industry bodies in Luxembourg. We also contribute to every group and committee focusing on the industry's key developments in Luxembourg and abroad.

A testament to our footprint in Luxembourg is the fact that one of our partner is the Chairman of the Investment Fund committee of the Institut Luxembourgeois des Administrateurs (ILA).

In addition, we sit at the board or participate in virtually all of The Association of the Luxembourg Fund Industry (ALFI) committees, in the Board of Luxembourg for Finance. We are also members of various CSSF committees and of the Luxembourg Haut Comité de la Place Financière. PwC partners also chair the Investment Fund committee of the Institut des Réviseurs d'Entreprises (IRE).

PwC audits 56% of the Luxembourg UCITS (based on AuM, 31 December 2015), and is market leader in all relevant segments (UCITS, Hedge Funds, Real Estate, Private Equity).

30

Leading the industry
for over 30 years

1,250

Asset Management practice

- 1,250 people dedicated to the Asset Management industry out of 2,700 professionals in Luxembourg
- More than 120 partners and directors fully committed to serving our Asset Management clients

339

Real Estate expertise

- 39 Partners and Directors focusing on servicing Real Estate assets
- 300 Real Estate expert staff

250

Private Equity expertise

Partners, Directors, Managers and Private Equity expert staff working with Private Equity entities

Contacts

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5. Glossary



AIF/ Part II UCIs: Alternative Investment Fund, UCIs funds governed by Part II of the Law of 17 December 2010

AIFM: Alternative Investment Fund Manager

AIFMD: Alternative Investment Fund Managers Directive

AIFM Law: The Law of 12 July 2013 on alternative investment fund managers

ALFI: Association Luxembourgeoise des Fonds d'Investissement (the association representing the Luxembourg fund industry). For more information please visit: www.alfi.lu

AML: Anti-Money Laundering

AuM: Assets under Management. A metric used to measure the total market value of all the financial assets which a fund manages on behalf of its clients

CESR: Committee of European Securities Regulators

Cross-Border funds: Funds distributed in at least three countries, including their domicile

CSSF: Commission de Surveillance du Secteur Financier (the Luxembourg supervisory authority)

EFAMA: European Fund and Asset Management Association

ESMA: European Securities Market Authority

EUSD: European Union Savings Directive

FCP: Fonds Commun de Placement (contractual funds)

GAAP: Generally Accepted Accounting Principles

ILA: Institut Luxembourgeois des Administrateurs

IML: Institut Monétaire Luxembourgeois (former denomination of the CSSF)

IFRS: International Financial Reporting Standards

KIID: Key Investor Information Document

KYC: Know Your Customer

MiFID: Market in Financial Instruments Directive

NAV: Net Asset Value

MTF: Multilateral Trading Facility

OECD: Organisation for Economic Co-operation and Development

Part II UCI: UCI governed by Part II of the Law of 17 December 2010

RAIF: Reserved Alternative Investment Fund

RAIF Law: The law of 23 July 2016 on reserved alternative investment funds, as amended

S.A.: "société anonyme" in French or public limited company

S.à r.l.: "société à responsabilité limitée" in French or private limited company

S.C.A.: "société en commandite par actions" in French or common limited partnership

S.C.S.: "société en commandite simple" in French or limited corporate partnership

S.C.S.p: "société en commandite spéciale" in French or special limited partnership

SICAF: Société d'Investissement à Capital Fixe (investment company with fixed capital)

SICAR: Société d'Investissement en Capital à Risque (investment company in risk capital)

SICAR Law: The Law of 15 June 2004 on the investment company in risk capital, as amended

SICAV: Société d'Investissement à Capital Variable (investment company with variable capital)

SIF: Specialised Investment Fund

SIF Law: The Law of 13 February 2007 on specialised investment funds, as amended

Sté Coop. S.A.: "société coopérative sous forme de société anonyme" in French or cooperative company organised as a public limited company

UCI: Undertakings for Collective Investment

UCITS: Undertakings for Collective Investment in Transferable Securities

UCI Law: The Law of 17 December 2010 on undertakings for collective investment, as amended



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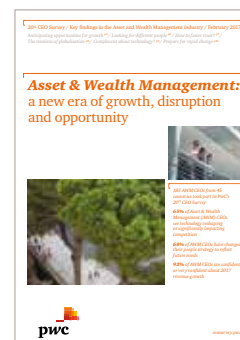
Introduction to Luxembourg Alternative Investment Vehicles 2016



Luxembourg Fund Governance Survey 2016



European ETF Listing & Distribution Poster 2016



Asset and Wealth Management: a new era of growth, disruption and opportunities 2017





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