

Asset & Wealth  
Management  
Community



# The Monthly *Briefing*

Powered by PwC for the AWM Community

11 January 2018



*Executive  
Summary*

# AWM 2025 Report: A Buyer's Market

*In the past funds were sold, not bought. Today, digital technology is in place to serve the how, and when and what the buyer wants. The power has shifted, sales are based on individual demands rather than being supply driven.*

Dariusz Yazdani | PwC Luxembourg

**Changes in tax and reporting regulations, and data availability work to render financial markets more transparent.** That mix with an increasingly technologically sophisticated and empowered (millennial) consumer community are redefining how asset managers and distributors stand to earn and provide value in the future. ROBO advisor platforms, on-line investment

solution modelling and benchmarking, and product innovation favour the buyer.

However, while passive investors can get automated low cost access to investments there is still room to provide alpha. Even under falling fees and evolving consumer preferences, flexibility and insightfulness win despite there being nowhere to hide!



## The impacts of MiFID II on Pan-European distribution

*The regulatory agenda has been coloured by the Global Financial Crisis and is designed to protect the consumer. Whereas AIFMD changed placement, MiFID II changes distribution economics.*

Olivier Carré | PwC Luxembourg

The surveyed market sentiment 21 days before go-live was that MiFID II implementation was going to be bumpy road and missing data would be a blocking factor. Actually, following the January 3rd, 2018 go-live the transition was relatively smooth, albeit data issues and often requiring manual intervention for TRAF reporting. There were missing and inconsistent target

market and cost data issues at the provider level, and incomplete cost computations at the AM level. Otherwise, issues related to slow, incomplete or non-operational interfaces.

**Now that MiFID II is a reality it poses major Profit and Loss impact for asset managers, distributors and investors.** As fees continue their downward trend, the

pressure is on to launch new innovative products and to determine the right prices for distributing alpha. Active managers remain eager to challenge passive by introducing fee structures linked to performance. Client targeting and those willing to pay for more choices will remain key for some stability in the changing landscape.



## Millennials and after: What makes them tick?

*Digital is just a mode of delivery. My norms derive from my personality and not societal rules.*

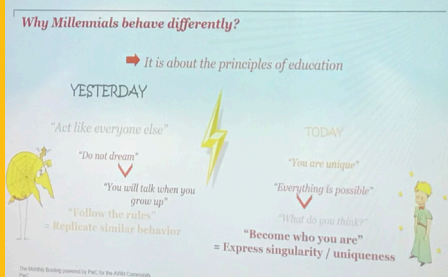
Vinciane Istace | PwC Luxembourg

Grown-ups have always held disparaging view of the youth. We have a tendency to view millennials, despite having raised them, as being self-centred, entitled and requiring instant gratification. On the other hand, **millennials were brought up in a world of technically charged possibilities and to experience**, and to express and demand their uniqueness.

Social media, despite physically isolating individuals has engendered a sense of emotionally trusted communities. Within these echo chambers members share personal information on who to trust, where to shop and go viral on who to avoid.

Wealth managers need to understand that millennials, much like the WWII generation, want to conservatively safeguard their comforts, to be treated fairly and correctly, and be conveniently (probably on-line) provided sensible wealth plans specifically tailored to their personalities and to reliably meet their foreseeable needs.

Hence, it will serve the industry well to attract and retain high calibre relationship managers who can effectively engage online and in person for a meaningful and transparent dialogue with the NextGen.



# Norwegian tax update on investor taxation and regulatory highlights.

Magne Hop presented a high-level tax and regulatory update in his country, including the new regulation of unit linked products for life insurance. If you have any questions related to the Norwegian market, please feel free to contact us. We will be happy to help.

Magne Hop | PwC Norway

## GDPR: Key concerns for the AWM Industry

*“The GDPR’s principle on who is a DP or DC is a key topic to address.”*

Frédéric Vonner | PwC Luxembourg

The EU’s General Data Protection Regulation (GDPR) comes into effect on May 25th, 2018. Meanwhile, the CNPD has launched a Compliance Support Tool for users to check the level of coverage of their organizations against the GDPR requirements, and the EU Regulators Working Party (WP29) is providing consultations and poised to issue guidelines on *Personal Data Breach Notifications and Automated Individual Decision-Making and Profiling*.

Key concerns for the AWM industry centre around being **data controllers (DC)** or **data processors (DP)** raising the questions: Is the fund DP or DC? For what processing and for what lawful base? What about the Central Administration? Is it a DC or DP, and for what processing?

Chances are that under regulatory requirements, a UCITS ManCo’s and AIFM in charge of fund administration and marketing will be considered to be DCs for the related processes. Whereas a Central administration executing AML/KYC controls on behalf of a ManCo will probably qualify as a DP.

As a rule of thumb, you know you are a DP when you process personal data based on instructions. You become a DC if you continue to process personal data even after the instructions have stopped.

Also useful to remember at the time of data collection is that a DC must inform the data subjects, via the prospectus or subscription forms, etc., of the legal basis for the processing.

## Regulatory Update

Nathalie Dogniez | Partner, PwC Luxembourg

*“2018 has already seen MiFID II/MiFIR, PRIIPS and UCITS Share Classes and Collateral regulations being passed and put in place. We now await GDPR and MMFR.”*

2018 has already seen MiFID II / MiFIR, PRIIPS and UCITS Share Classes and Collateral regulations being passed and put in place. We now await GDPR and MMFR.

Other good news was that on 18 December 2017 the EU published a draft RTS rescinding the 22 November 2017 requirement to post Variation Margin Collateral on physically settled forwards transactions involving non-financial institutions. The Commission is expected to endorse this regulation in March 2018.

Furthermore, on 5 January 2018, the Commission de Surveillance du Secteur Financier (CSSF) deleted FAQ 1.4 from its website effectively changing its policy with regard to UCITS investing in other UCI. This deletion means that mere compliance

controls or written confirmation of the ETF or of the manager, as mentioned in the FAQ is no longer sufficient to warrant UCITS compliance.

EU Commission focus and priorities will be on Brexit where the discussion of financial services starts 30 January, The Eurozone (could we be headed for single European Finance Minister?), Technology and Data (Taxation of Digital Services), Sustainability (quantifying the socio-environmental impact of financial / investment decisions).

In terms of legislation, we anticipate a proposal for FinTech Crowd Financing around March 2018, and an Action Plan on Sustainable Finance around May 2019. Work will continue for the Banking and EMIR packages, ESA reviews and CMU action plan.

## Spotlight on a PwC solution

### GDPR Readiness Assessment Tool

Gabriela Gheorghe and Frédéric Vonner | PwC Luxembourg

Based on the CMMI process maturity model, PwC’s on-line questionnaire-based tool exposes the gaps from being fully compliant with the GDPR requirements. In addition, it proposes a plan of action to remedy the situation.

Save  
the  
date

Join us on  
Thursday 8 February  
for the next session

# Agenda

## Thursday 8 February 2018

08.30 – 09.00	Welcome coffee
09.00 – 09.05	<b>Introduction</b> <b>Frédéric Vonner</b> , PwC Luxembourg
09.05 – 09.35	<b>MiFID II: what's next?</b> <b>Matthew Newnham</b> , MFEX - Mutual Funds Exchange, Sweden
09.35 – 09.55	<b>The ETF market: a competitive and attractive market. Where do we stand?</b> <b>Carsten Brengel</b> , PwC Luxembourg
09.55 – 10.25	<b>How investors drive the structure of your alternative products?</b> <b>Begga Sigurdardottir and Christian Heinz</b> , PwC Luxembourg
10.25 – 10.55	Coffee break
10.55 – 11.25	<b>Sustainability: the new game changer for the Asset and Wealth Management?</b> <b>Nathalie Dogniez and Valérie Arnold</b> , PwC Luxembourg
11.25 – 11.45	<b>Regulatory update</b> <b>Nathalie Dogniez</b> , PwC Luxembourg
11.45 – 11.50	<b>The last 5 minutes: Spotlight on a PwC solution</b>
11.50 – 12.00	<b>Wrap-up</b> <b>Frédéric Vonner</b> , PwC Luxembourg
From 12.00	Walking lunch

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