

Asset & Wealth
Management
Community



The Monthly *Briefing*

Powered by PwC for the AWM Community

16 November 2017



AWM must act now, and focus on strategy, technology and people.

“ AWM must act now, and focus on strategy, technology and people. ”

Steven Libby | AWM, Luxembourg and Global Advisory Leader

We are in a period of seismic change where we stand to reimagine, and reinvent AWM. Fewer firms will be managing more and more assets; significantly more cheaply. Others will be discovering new opportunities to create alpha, and restore margins.

Global AuM are projected to grow rapidly from USD 111tn in 2020 and reach USD 145tn in 2025.

AWM managers need to take a long-term view and build their businesses strategically by being more efficient, entrepreneurial and differentiating. It is no surprise that technology will power the firms anticipated to win in this fast-changing landscape. Responding to changes will need to draw on

the diverse and inclusive skill set of the best. Members of staff will increasingly need to be innovative, client centric and adept with data analytics.

The **key market dynamics** transforming the AWM industry are:

- **Buyers' Market.** In a climate of fierce competition with regulations demanding greater transparency, and new entrants being able to leverage technology and analytics, traditional value chains are being disrupted. Survival will depend on being able to scale through consolidation.
- **Technology Accelerators.** The industry is already being transformed by AI, robotics,

Blockchain and Big Data. If Tech-Giants enter the sector, with their distribution power, they could drive change across the entire value chain drawing in Front, Mid and Back Offices.

- **Funding the Future.** AWM has filled the funding gaps since the global financial crisis began, and provided capital for real asset classes. Now as governments step back, funds for retirement increasingly support the growth of AuM.
- **Outcomes Matter.** Fast growing passive and alternative strategies are becoming building blocks for multi-asset, outcome-driven solutions.



“ PRIIPs: the clock is ticking ”

Benjamin Gauthier | PwC Luxembourg

On Packaged Retail Investment and Insurance-Based Products* (PRIIPs) the deadline is January 1st, 2018, with the annual holidays in between, and time is of the essence!

The key message around PRIIPs relates to the **Key Information Document (KID)** that, under transparency rules, is designed to **provide investors the information they need** before they invest. The KID addresses questions around the product, associated risks, costs, performance

scenarios and what can be expected; even in terms of a firm not being able to make a pay out. The sound byte to recall is that if the security is in scope then “NO KID .. NO Deal!”.

*PRIIPs will impact Asset Management, Insurance and Banking industries including Listed derivatives, ABS/MBS, Shares of SPV, Structured Products, Convertible Bonds, Sub-Ordinated Bonds, Coco Bonds, FIDs, Life Insurance Multi-Option Products, Non-UCITS Funds, OTC Derivatives, etc.

MiFID II update

However, for Asset Managers and Management Companies Go-Live essentials relate to Target Markets, Research, Contracts and the Board of Directors.

Clearly, the Target Market needs to **be defined together with investor requirements, on-going charges and expense ratios. Meanwhile, industry association templates are in place to assist in fulfilling regulatory**

“ MiFID II is due for implementation on January 3rd, 2018. Ironically, in Luxembourg, the legislation will be voted in place after the January implementation date. ”

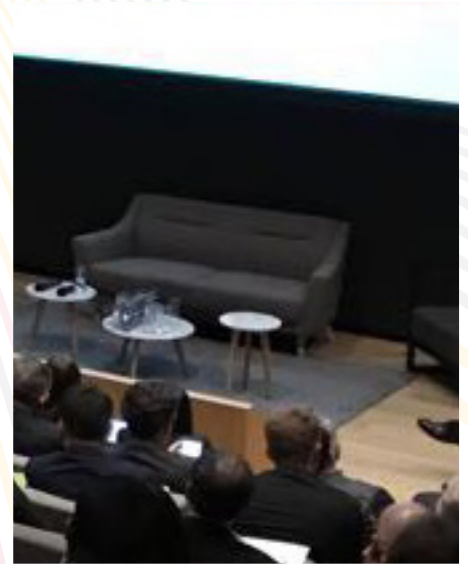
Marie-Isabelle Richardin | Tax partner, PwC Luxembourg

requirements and facilitate data exchange between asset managers, bankers and insurers; CEPT formats apply to Insurance Companies and EPT (PRIIPS) and EMT (MiFID) apply to distributors.

Research policies involving Portfolio Managers, Fund Management Companies, Depository Banks and Fund Accounting need to account for the flow of funds

allocated to research budgeting, purchasing and evaluation/review.

Contracts need to cover distribution set-ups, pricing and delegations with respect to insourcing or outsourcing. That will result in distributing and agreeing to contracts and prospectuses that include new service agreements related to cost computation, research, etc.



Monthly briefings **November 2017**

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*The industry also needs to stay alert on the tough legislative processes covered under the new **ESA/ESMA Powers**.*

Nathalie Dogniez | PwC Luxembourg

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Regulatory update - ESAs initiatives on supervisory convergence: “myths and realities”

Under the general theme of transparency, client and data protection, **milestones and regulations in the course of being implemented** are:

2017 Q4 MiFID2/MiFIR, PRIIPS and EMIR on collateral on Fx. 2018 Q2 GDPR, Q3 MMFR application date. 2019 Q1 MMFR end of grandfathering, Q2 Long-Term Shareholding Directive.

Regarding other initiatives in the pipeline, in preparation are Investment Firms Prudential, EMIR review, Cross-Border Funds and AIFMD review, proposals

have been issued for AML 4 ‘bis’, STS securitisation and ESA’s powers.

The September 26th, 2017 European Commission proposal is set to enhance ESA Powers spanning Third Country Equivalence, Technological Innovation, ESG Factors Governance, Cost Benefit Review, Funding and Supervisory Convergence. In addition, ESMA’s increased role would allow it to engage with national regulators in authorisation/registration applications involving outsourcing, delegation and/or the risk transfer of a material part of the applicant’s activities to third countries.

PwC’s dedicated PRIIPs Risk Engine

Growth of Big Data and analytics paves the way to centralise, **cross-check and integrate data from diverse related sources**. PwC’s web-based “Risk Engine” provides direct and permanent means to

access reports and the raw data related to PRIIPs, MRM, CRM, SRI and Performance Scenarios. You now have a way to assess your Fund Admin risks in a meaningful way!

Save
the
date

Join us on
Thursday 14 December
for the next session
dedicated to PRIIPs

Agenda

Thursday 14 December 2017

08.30 – 09.00	Welcome coffee
09.00 – 09.05	Introduction Christelle Crépin , PwC Luxembourg
09.05 – 09.25	Strengthening Asset Management Industry against Cyber shocks Vincent Villers , PwC Luxembourg
09.25 – 09.55	The latest trends in cyberattacks: technology watch from PwC Lu's Ethical Hackers Vladimir Kolimaga & Maxime Clementz , PwC Luxembourg
09.55 – 10.15	MiFID II: an expected VAT cost? Marie-Isabelle Richardin & David Schaefern , PwC Luxembourg
10.15 – 10.45	Coffee break
10.45 – 10.50	ManCo: Latest key figures Laurent Carême , PwC Luxembourg
10.50 – 11.10	GSSF visits at ManCo: How should you prepare for the right level of governance? Laurent Carême & Xavier Balthazar , PwC Luxembourg
11.10 – 11.25	2 concrete examples of ManCo oversight: over Portfolio Managers and over Distributors Laurent Carême, Birgit Goldak & Xavier Balthazar , PwC Luxembourg
11.25 – 11.45	Regulatory update Nathalie Dogniez , PwC Luxembourg
11.45 – 11.50	The last 5 minutes: Spotlight on a PwC solution
11.50 – 12.00	Wrap-up Christelle Crépin , PwC Luxembourg
From 12.00	Walking lunch

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