

INVESTMENTS FUNDS IN EUROPE

SECURITIES SERVICES

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BNP PARIBAS

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What is an investment funds ?

Investment Funds or Undertaking for Collective Investment (UCI)

- Collective investment of cash
- Capital raised from a number of end investors
- Capital invested in accordance with a defined investment policy and risk spreading
- Shares may be distributed to the general public while others are reserved for some specific types of investors
- Shares may be obtained through several channels: private placement, direct distribution, distributors or stock exchanges
- Portfolio may consist of transferable securities and / or other assets

Why set up a UCI ?

A UCI offers investors the possibility to

- Generate current income or capital appreciation or both
- Access a diversified portfolio of investments
- Benefit from professional management of the portfolio
- Share the associated costs
- Gain exposure to specific investments could be out of range for some investors
- Get protection from ad hoc regulation

The creation of a UCI will be driven by several factors

Investors

Eligible Investors

- Institutional / professional investors
- Well informed investors
- Private Individuals

Marketing regime

- Passporting
- Private regime

Listing capacity

- Need for official stock exchange listing

Investment strategy / limits

- Risk spreading rules
- Borrowing limitations
- Specific investments

Corporate legal form

- Contractual form
- Corporate form

Capital requirements

- Minimum capital

Taxation

- Subscription tax
- Withholding tax

In Europe we have two major families of funds

UCITS

Undertaking for Collective Investment in Transferable Securities

- EU Directive in December 1985 to create single European Market for retail investment fund
- European passport
- Investment in Securities quoted on a recognised stock exchange
- Respect rules related to portfolio diversification / asset liquidity / use of hedging
- Equity / Bond / Money Market Funds, Exchange Traded Funds (ETF)

In Europe we have two major families of funds

AIF

Alternative Investment Funds

- EU Directive in July 2011 in reaction to 2008 Financial crisis
- All funds not covered by UCITS directive
- European passport
- Specific marketing regime
- Single Hedge Funds
- Fund of Hedge Funds
- Private Equity Funds
- Real Estate Funds
- European Long Term Investment Funds

Several key players in the UCI value chain

Actor

Key function

Regulator

- Supervises – all elements of the value chain
- Approves – all intermediaries and service agents
- Controls and approves – fund documentation

The Management Company

- Provides the required capital and complies with the substance requirements
- Can have the European Passport
- Performs oversight duties on delegated tasks

Several key players in the UCI value chain

Actor	Key function
Distributor	<ul style="list-style-type: none">• Distributes fund to end investor• Collects documentation for AML / KYC process• Transfers cash from / to Central Administration
Depository Bank	<ul style="list-style-type: none">• Must be a registered credit institution approved by the regulator• Is responsible to safe-keep the assets of the fund• Knows at all times how and where the assets of the fund are kept
Domiciliary Agent	<ul style="list-style-type: none">• Provides the registered office of the UCI• Responsible for providing office accommodation facilities to the UCI• Keep all correspondence of the UCI, and arranging payment of bills on behalf of the UCI

Several key players in the UCI value chain

Actor

Key function

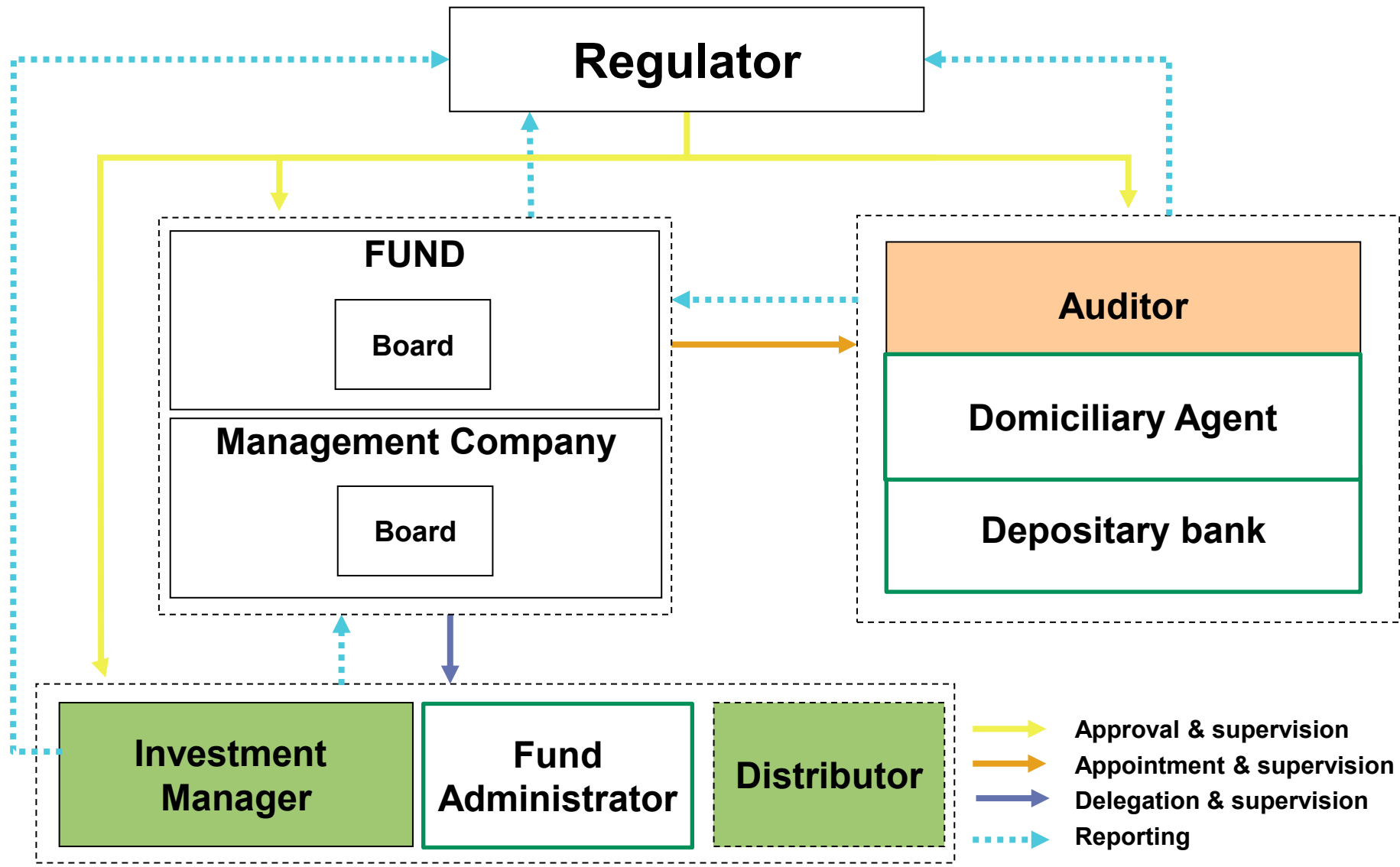
Fund administrator

- Is in charge of shareholder relationship
- Calculates the net asset value (NAV)
- Ensures monitoring of regulatory compliance
- Provides financial information and reporting

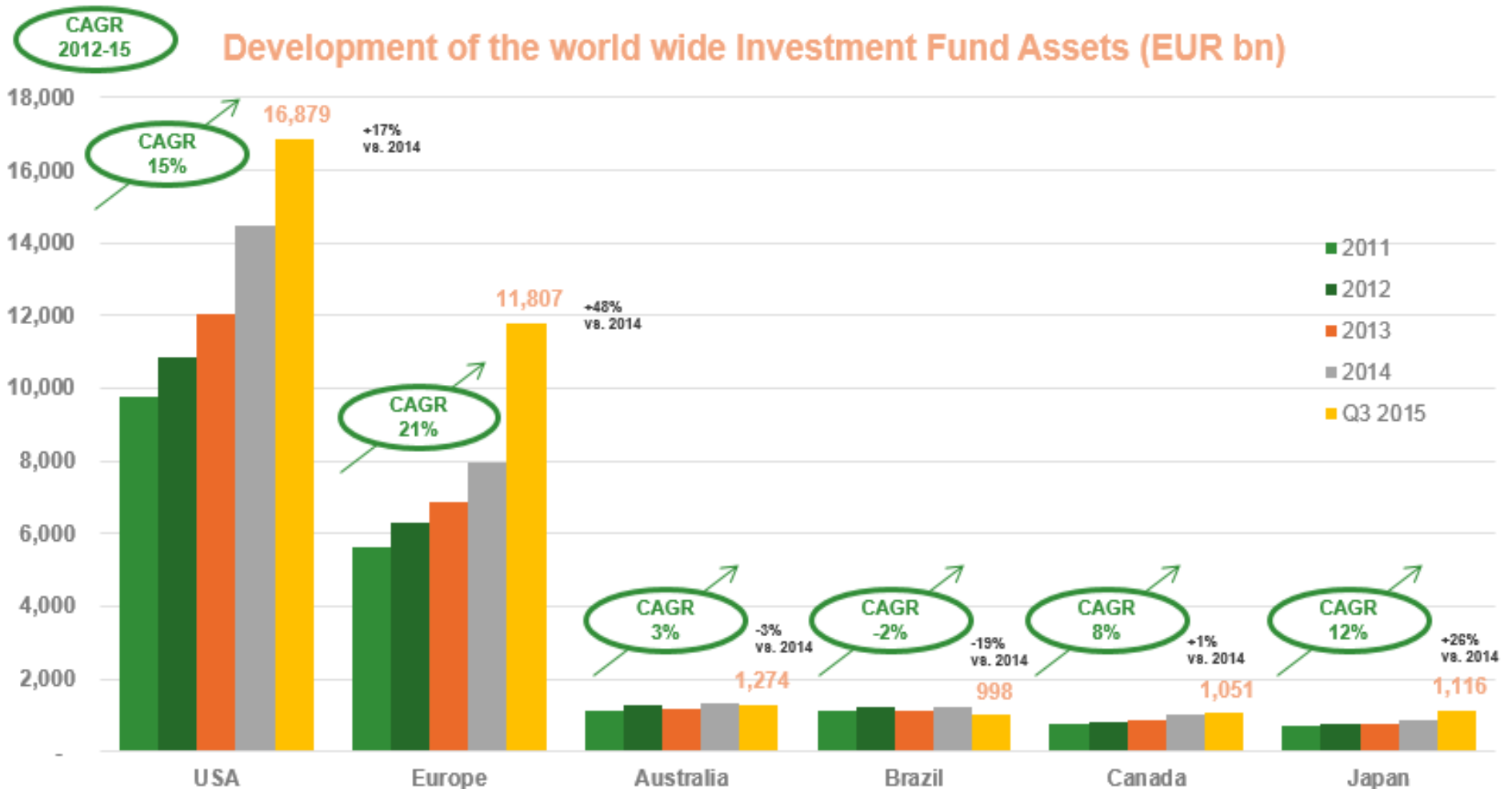
Auditor

- Audits on annual financial statements
- Reviews fund investment policy & restrictions & inform the regulator of any non-conformity
- Controls fund procedures and verify process to calculate NAV - inform the regulator if procedures are inadequate

These players are strongly interconnected

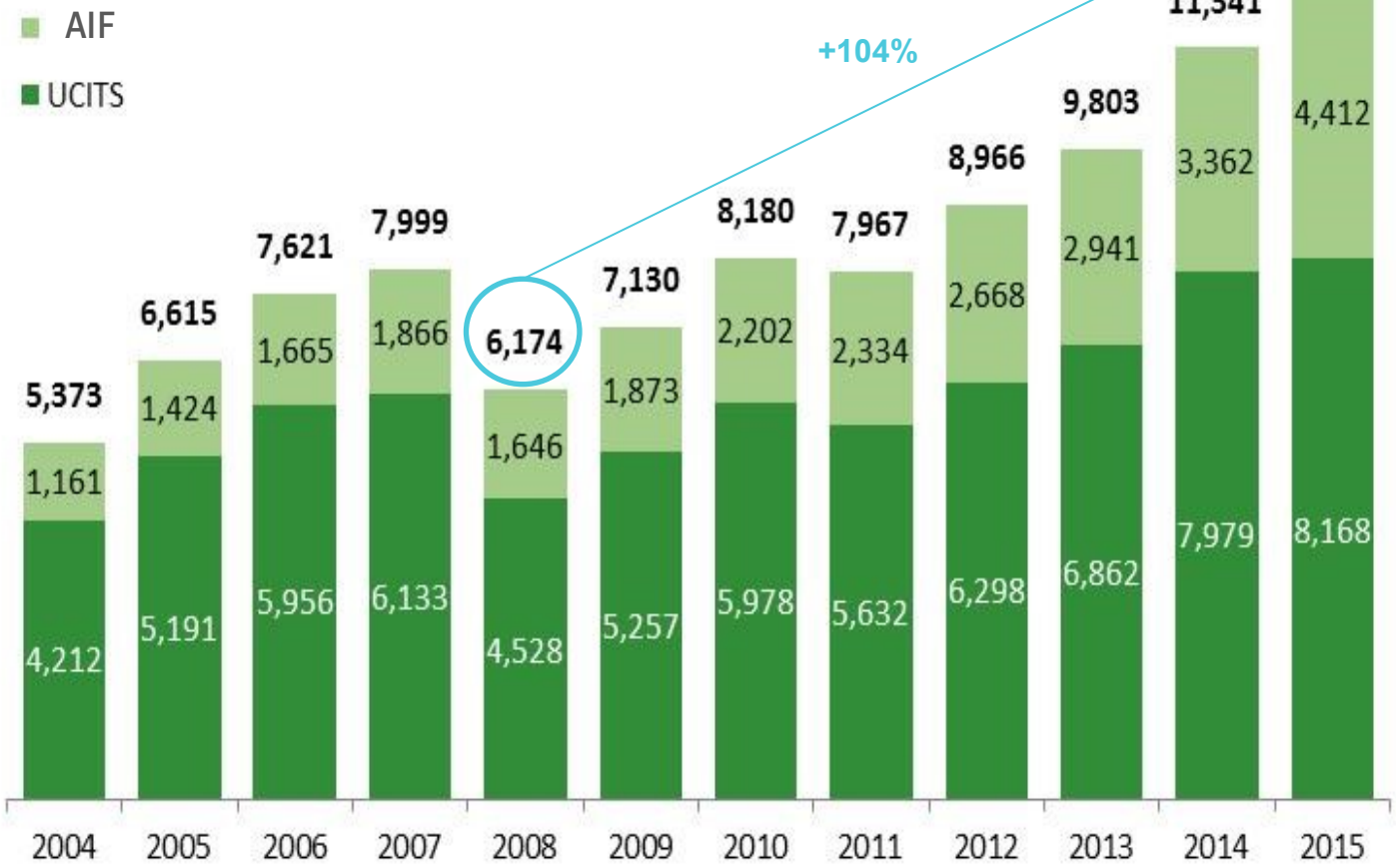


European Investments Funds have been very successful



UCITS structures are predominant amongst European funds

Net Assets of European Investment Funds (EUR bn)

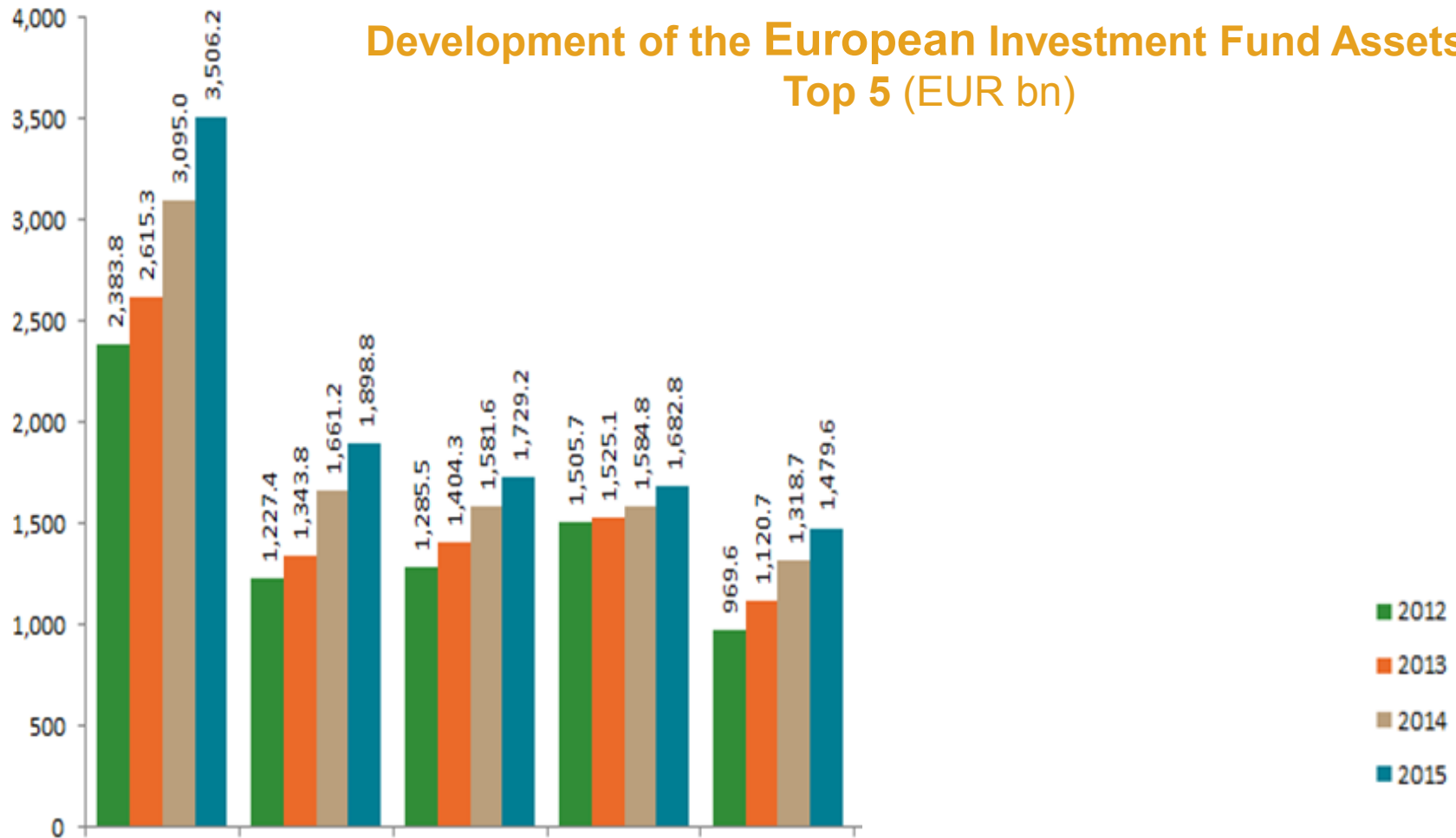


Variation from 2014 and 2015

	2015 vs. 2014
UCITS	2.4%
non-UCITS	31.2%
TOTAL	10.9%

Luxembourg Fund Centre is by far #1 in Europe

Development of the European Investment Fund Assets - Top 5 (EUR bn)



Worldwide ranking

LU
#2

IE
#3

DE
#4

FR
#5

UK
#6

+14%
vs. 2014

+9%
vs. 2014

+6%
vs. 2014

+12%
vs. 2014

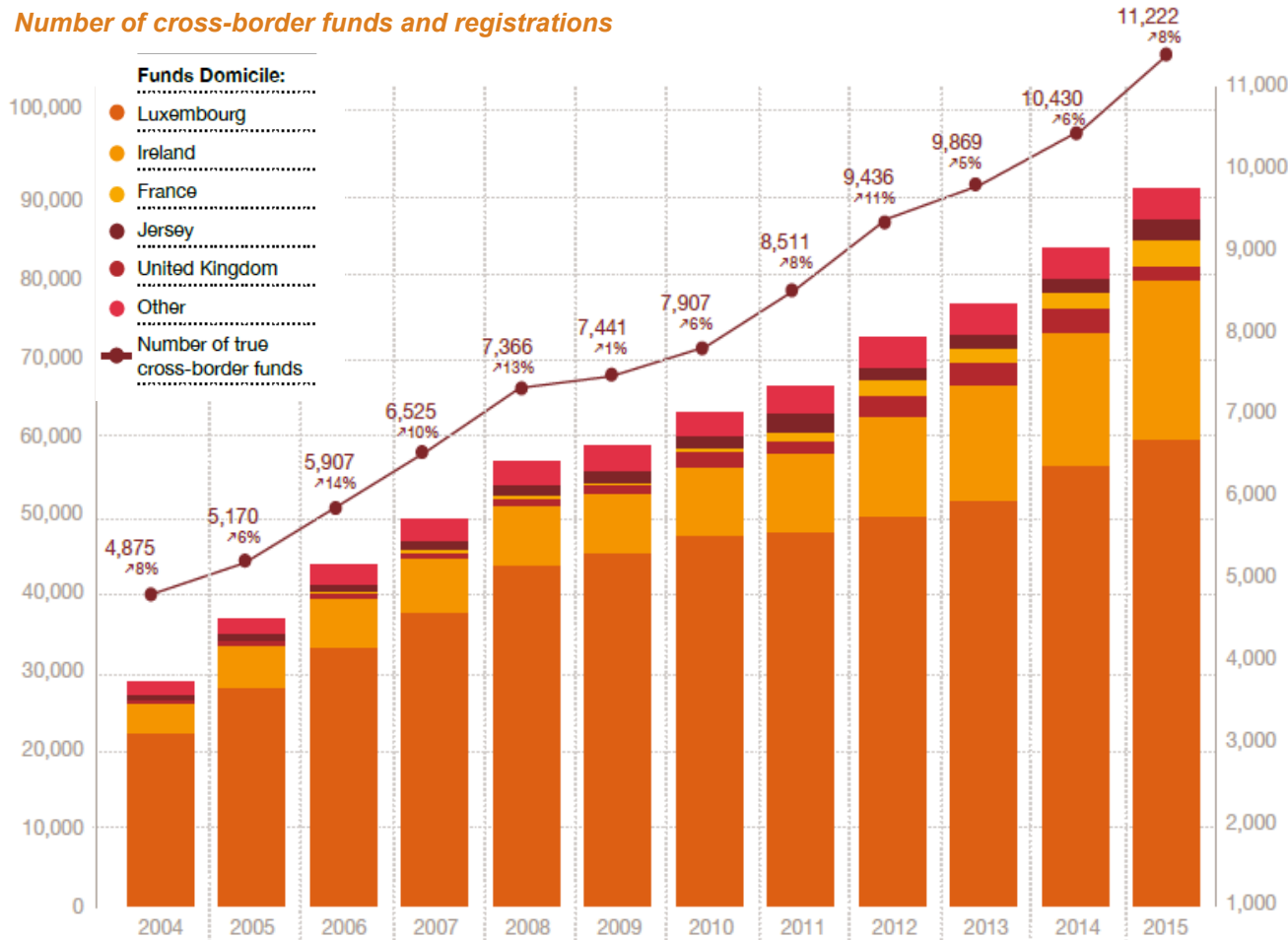


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Source: CSSF & EFAMA, fig as of year end incl. UCITS and non-UCITS

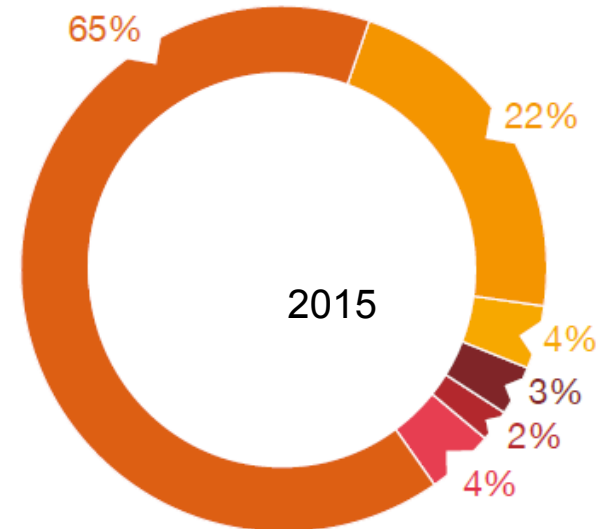
Luxembourg is the first domicile for cross-border funds

Number of cross-border funds and registrations



Number of cross-border registrations **91,027**
 Compound annual growth rate over 10 years **9.6%**

Number of cross-border funds



Why is Luxembourg the leading fund domicile in Europe?

- Political & economic stability
- Forward looking, innovative & collaborative approach between government, regulator & fund industry
- Large multi-lingual workforce (typically more than 20 languages covered by major service providers)
- Wide range of products & strong innovative capabilities
- Comprehensive and adaptable regulations
- World class fund infrastructure & support: administration, custody and transfer agency
- Experienced fund set-up and structuring capabilities
- 20+ years experience in global fund distribution
- World-wide acceptance of the Luxembourg Fund label

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