

Private Equity: Being more than a back office

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The opportunities for Luxembourg to become an important centre in the private equity industry are numerous.

It is up to everyone to make efforts to convince investors and asset managers to use Luxembourg vehicles.

This Monday, the private equity industry was the centre of discussion at a panel convened by "Savoirs Partagés" ("Shared Knowledge") and organised together with PaperJam magazine.

Focused on the theme "Being more than a back office of investment capital", three selected guest speakers were invited to talk about the challenges and opportunities involved with Luxembourg developing a high-tech industry in this area.

"Until now, with regard to the private equity industry, the Luxembourg financial centre functions only as a part of the value chain. It is primarily a platform used to set-up acquisition structures", said Gilles Dusemon, partner at law firm Arendt & Medernach.

This is why Luxembourg is often considered as a back office with regard to this industry.

However, one of the major issues pursued by the Luxembourg financial centre, is indeed to attract some major players, investment funds - including investors and asset managers, in order to bring together in Luxembourg both essential parties of international structuring in private equity.

Until AIFM

"It is essential for Luxembourg", confirms Simon Henin, managing director of Ipes Luxembourg, a provider of fund administration services. While Luxembourg has proven its expertise in Ucits, it is seen in the private equity industry as an intermediate structure of (for) investment, and not as an important centre for fund management. It is now important to attract more investment funds to come to Luxembourg in order to attract, in a second step, asset managers."

Opportunities exist in this area, such as the AIFM Directive, which will soon be transposed into national law in various countries.

"It is up to the Luxembourg legislator to implement this Directive in an intelligent way", claims Olivier Jordant, partner at Ernst & Young.

Luxembourg has advantages with regard to this Directive, to the extent that the function of Custodian banks already exists here, and that regulations in this area are

already in place. Luxembourg will therefore be in a position to take advantage of these opportunities.

Neighbouring countries are confident

Some say that abroad, in the neighbouring countries of the Grand Duchy, more than in Luxembourg itself, many people believe that Luxembourg will be able to attract significant business. "Many people think that we are able to replicate what we did with Ucits funds", says Gilles Dusemon. Luxembourg should now prepare for it.

"I do not know if Luxembourg is ready yet, but we can observe a real interest from abroad to come to Luxembourg", says Olivier Jordant. "We are regularly consulted. Projects with the purpose of investment funds moving to Luxembourg do exist. However, numerous fiscal, legal and regulatory efforts must still be undertaken. One of the major undertakings to attract fund and asset managers, is the creation of appropriate structures, such as the limited partnership, well-known by Anglo-Saxons."

"The law must evolve to meet the expectations of the investors", says Gilles Dusemon. "It's up to the legislator to make good use of its ability to put in place the ideal framework for the creation of financial products. "Likewise, in order to attract managers, although the task is difficult the state must work to develop an optimal, but balanced tax framework."

Running engines

Services available in Luxembourg to support the private equity industry are also important. "It is the responsibility of the service provider to be able to propose specific services, specialized in the domain of private equity" says Simon Henin. "At this level, we should play the quality card, states Olivier Jordant. To attract the investment funds and the asset managers, we must be the best. We must have a higher average quality standard compared to other financial centres. This goal requires the ability to attract certain skills in Luxembourg, so the stake at human resources level is considerable."

Associations such as "ALFI", the Luxembourg Private Equity Association, or "Haut Comité de la Place Financière" ("the Committee of the Financial Centre"), are all drivers in the development of this industry in Luxembourg.

"Luxembourg is working effectively to provide itself with the means to succeed" says Simon Henin. "The ability as well as the pragmatism of Luxembourg to adapt, in this context, can make the difference" concludes Olivier Jordant.

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<http://www.paperjam.lu/article/fr/private-equity-etre-plus-qu-un-back-office>