

Steve David (Northern Trust)

# Helping Luxembourg enhance its fund industry

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“Northern Trust is ready to play a full part in Luxembourg’s development over the next decade and beyond.”

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Since its establishment in Luxembourg more than a decade ago, Northern Trust has played an important role in expanding the jurisdiction’s scope and international reach as a fund services centre. Country Head Steve David looks ahead to new challenges and opportunities offered by the AIFMD and upcoming UCITS V legislation.

## At the forefront of regulatory change

Right from the beginning Luxembourg has been a leader in the evolution of the European Union’s single market for investment funds, having been the first EU member to adopt the original UCITS directive in 1988. Today 67% of authorisation agreements for distribution granted to

worldwide funds are allocated to Luxembourg funds. Northern Trust has also demonstrated leadership in the UCITS marketplace as the first financial institution to offer a third-party UCITS management company service in Luxembourg. Today the focus is on helping clients prepare for the UCITS V legislation, which seeks to strengthen investor protection, as

well as align depositary requirements and manager remuneration rules with those governing alternative funds and managers under the AIFMD. The advent of the AIFMD presents further opportunities for Luxembourg to grow its alternative fund industry alongside the traditional fund sector. Its experience and expertise in cross-border distribution has already helped

it become a major domicile and servicing centre for hedge funds, private equity and real estate funds. This dovetails with Northern Trust’s track record as a provider of fund administration and depositary services to alternative managers, now expanded, for instance, to include AIFMD regulatory reporting for clients across multiple jurisdictions.

## A talent for innovation

Over the years Luxembourg has repeatedly pioneered innovative developments for the fund industry, for example the introduction in 2004 of the first fully tax-transparent pooling vehicle for multinational investors, using the Fonds Commun de Placement (FCP) structure. This

contractual fund enables the individual national pension schemes of multinational corporations to benefit from pooled investment options such as global equity mandates, offering greater investment efficiency without suffering tax drag. Northern Trust played an important part in developing the concept, working with Luxembourg officials to draw up the necessary tax changes and supporting the launch of the first vehicle. Today the Luxembourg office supports a number of FCPs established by both multinationals and investment managers.

## Putting the customer first

Luxembourg’s success has also been built on the quality of its client

servicing and infrastructure. Our fund servicing industry is supported by a highly qualified and multilingual workforce possessing the specialist expertise to service funds for an international client base across a broad range of strategies and asset classes. Ongoing professional development is a prime focus for Northern Trust in Luxembourg, complemented last year by a move to state-of-the-art offices in Senningerberg offering new scope to expand our workforce and capabilities. As the global reach of the fund industry continues to grow, Northern Trust is ready to play a full part in Luxembourg’s development over the next decade and beyond.

