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Luxembourg: a Wealth Management and Family Offices competence centre?

The case for a single, secured platform

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As confirmed at the Private Banker 2010 conference on 19 March, one of the most important missions of the Luxembourg market-place is to re-invent its own future. Its know-how, skills and ability to provide the best guarantee of survival (through innovation, excellence and a desire for new horizons) will help. Two extra conditions are nevertheless required, explains Diana Kneip-Diels of Fuchs & Associés Finance: a single, enhanced platform for all the professionals in the sector, and a legal and fiscal framework for the presence and development of considerable know-how.

The worldwide subprime crisis, the European crisis, banking confidentiality and the OECD "grey list": so many crises, as Lucien Thill (MP, Chairman of the Committee for Higher Education, Research, Media and Communications, and a former director of the ABBL) reminded the conference, while insisting on the innovation and excellence that have always underpinned revival in the Luxembourg markets. Today this revival must be effected especially through the exchange of economic ideas, the simplification of infrastructure complexity, cost-cutting in computing and the optimisation of processes. Financial engineering is the new differentiating strategy in the market-place, and the aim of increasing the skills of financial professionals is to attract a richer, though more complex, clientele.

Already a step ahead

Wealth-services professionals were already familiar with the idea, and Luxembourg's private bankers have understood it well: we have to rethink the economic model of the private bank and the services supplied to top-end clients, and continue to develop innovative ideas.

Among international families there is increased demand for transparency, a general overview of worldwide wealth and secure products. Because of the crises, their wealth is not only spread across many banks but also managed by many managers: pure private-banking solutions are complemented by an independent wealth manager, a native manager who runs the trust, a philanthropy adviser, and a whole network of institutions (funds and local-market banks) proposing a top-of-the-range palette of services in wealth and inheritance engineering.

Family Office: waving the flag for independence

The Family Office, which is not a regulated business, is for many players one of the new outlets to be investigated. It does, however, require total independence and, especially, the resources that the Grand Duchy will have to put on the table sooner or later if it wishes one day to become a main player in this domain. At present, anyone can practise as a Family Officer, and the question of its regulation comes up regularly.

Principally because of this independence, Luxembourg could be transformed into a world centre for the Family Office market, attracting firms specialised in fiscal-optimisation strategies. Soon any family wealth, whatever its form and wherever it is kept, will be officially disclosed, and banking confidentiality is slowly dying out. Better, then, to take the lead.

A universal IT platform for a consolidated wealth view

The need to consolidate assets is one of the priorities of the Family Office market. To give sensible advice to families at the right moment, Family Officers must have a global view of the wealth entrusted to them, and that overview is not always easy to obtain. An important step in this consolidation process has been taken with the help of Clearstream Services, which, with its partners, continues to capitalise on its SaaS-based model of value-added outsourcing for the financial industry. After proposing core banking, the front-end, the Swift messaging system as a Service Bureau, trade and risk management, statutory reporting, AML, archiving and even electronic invoicing, Clearstream Services has turned its attention to the Wealth Manager and Family Office segment with a real first: a multi-custodian, multi-manager and multi-country platform.

The concept, with its "pay-as-you-grow" model, allows ambitious structures, private banks, universal banks and fund-industry players to acquire state-of-the-art tools without the technical and financial constraints of owning an IT platform, spearheaded by secure mutualisation and neutrality. Based on Odyssey's Triple'A Plus™ software package, it gives managers a single, consolidated view of their clients' assets, irrespective of country and of the banks to which those assets have been entrusted. Several of the main custodians in Luxembourg, Belgium and Switzerland have already indicated their wish to adopt this open model. The platform aspires to be completely open: a neutral intermediary that opens the door to enhanced business, legal, wealth, inheritance and life-insurance services, so that the whole ecosystem of providers can find something of value.

A Wealth Management Support PSF

In the very near future, BPO-type services will complete the solution through a Support PSF (Professionnel du Secteur Financier) currently being created by a series of players from the financial world, called Wealth@Work. This essential partner and single interface will maintain the business functions, satisfy the future needs of the market and ensure even greater, if not total, independence, while operating the platform hosted by Clearstream Services. It is the right time to set up quickly this single, confidential, neutral and independent structure, bringing together the various business players (IT, infrastructure specialists and custodians), and so repeat a success story, this time aimed at Family Offices and Wealth Management professionals. The model is being validated with pilot clients, including Fuchs & Associés Finance in Luxembourg, and managers in Switzerland are already in the starting blocks.

A series of legislative and fiscal measures

Legislative changes must be undertaken on non-profit associations and foundations, allowing UHNWIs to create their own private foundations. Such foundations would create a real niche, given the growth and increasingly assertive competition in the philanthropy sector. To summarise: Luxembourg can quickly present itself as an international centre of Wealth Management skills, on condition that it creates a single, successful platform for all the professionals of the sector and develops, through a series of legal and fiscal measures, the presence and deployment of high-level HNWI and UHNWI expertise in the financial centre.

— Diana Kneip-Diels, Global Family Office, Fuchs & Associés Finance.

> *A single, confidential, neutral and independent platform, bringing together IT, infrastructure specialists and custodians.*