Ogier

What's next for Luxembourg's evolving funds industry?

Insights - 15/03/2023

In 2012 Ogier recognised the importance of Luxembourg as an international investment domicile and grew the local team to eight partners in 2022. Anne-Gaëlle Delabye shares her views on the opportunities of this market and the recent phenomenon of retailisation of the funds.

Which continental European markets have you targeted for development?

Definitely DACH, particularly Switzerland and Germany – we have developed a strong German desk in our Luxembourg office to maintain a high level of focus on that market. Advising clients in German has played an important role in Ogier's success in Luxembourg. It is one of the official languages and the preferred one for many clients who request that documents be drafted in German, as they want to conduct their international deal negotiations in their language of choice.

We also look at France and ancillary markets such as Spain and Italy.

You're active in the alternative-fund industry but also with institutional and highly regulated vehicles such as UCITS managers, MiFID firms or AIFMs: Do they have specific parameters in terms of ESG regulations?

Each client must consider specific parameters and we do bespoke analysis for every one of them. There are very highly regulated vehicles and managers in our portfolio for which we launched specific ESG products. For example, we advised on the first climate-neutral multi-asset investment fund combining exposure to green bonds and low-carbon equities, offsetting the associated carbon emissions through a reforestation activity. We are also working on a project with China which has decarbonization as a main strategy.

Debt funds need specific adaptation. Implementation of ESG criteria is more challenging than for others. This has led us to discuss very specific and bespoke analysis with our debt funds clients.

The SFDR Level 1 regulation is particularly focused on the environmental aspects of ESG criteria but the taxonomy concerning social criteria has yet to be determined. How do you anticipate the entry into force of Level 2 of the regulation in January 2023?

SFDR and Taxonomy Regulation on the establishment of a framework to facilitate sustainable investment are phased and we have to anticipate the timeline with clients, keeping them updated along the way. We do not have the social taxonomy yet – it has still to be determined. It will be interesting to see how social aspects are measured in practice.

All our clients are adjusting their precontractual documentation, plus questions on the various reporting requirements for implementation of Level 2 Regulatory Technical Standards (**RTS**), which happened in January 2023. With Level 1, we have only seen the tip of the iceberg as regards ESG regulation.

Are there new players arriving in the fund industry landscape in Luxembourg, such as new VCs, PEs or other type of investors?

We have seen some new venture capital funds in Luxembourg. Those that are already quite well-established in other jurisdictions come to Luxembourg to expand their interests.

Private equity is stable in Luxembourg, and we see this translating to more and more PE houses entering the market. Luxembourg is a jurisdiction that any PE houses would benefit from being located in.

Luxembourg has been a key investment jurisdiction since the 80s, with UCITS its star product. We have had many discussions recently with well-established EU and UK managers on the best structures for offering alternative strategies to retail investors. The "retailisation" of alternative investment funds is a hot topic at the moment. Structuring opportunities go from the highly regulated Part II fund and the recently revised European long-term investment fund regulation, to unregulated vehicles such as RAIFs. The trend toward structured options will become stronger in the year to come.

This interview first appeared in Leaders League, 14 February 2023.

About Ogier

Ogier is a professional services firm with the knowledge and expertise to handle the most demanding and complex transactions and provide expert, efficient and cost-effective services to all our clients. We regularly win awards for the quality of our client service, our work and our people.

Disclaimer

This client briefing has been prepared for clients and professional associates of Ogier. The information and expressions of opinion which it contains are not intended to be a comprehensive study or to provide legal advice and should not be treated as a substitute for specific advice concerning individual situations.

Regulatory information can be found under Legal Notice

Meet the Author

Anne-Gaëlle Delabye

Partner

Luxembourg Legal Services

E: anne-gaelle.delabye@ogier.com

T: +352 2712 2039

Related Services

Investment Funds

Sustainable Investing and Impact Funds

German Desk

Sustainable Investment Consulting

Related Sectors

Funds Hub