

Luxembourg third largest renminbi centre in the world after Hong Kong and Singapore

- Chinese institutional investors allowed to invest in Luxembourg regulated investment fund products
- Bridge between Europe and China

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Over the last 20 years UCITS funds made in Luxembourg have become the most recognised brand for regulated investment funds worldwide.

Luxembourg UCITS (Undertakings for Collective Investments in Transferable Securities) are distributed in more than 80 countries, including the most important markets in Asia, the Middle East and Latin America, 75 % of the world's cross-border funds are Luxembourg funds making the country the leading pan-European and global distribution platform.

Besides its international reputation for UCITS funds Luxembourg serves as gateway for investment inflows in and out of China, being the most important Chinese renminbi (RMB) centre within the Euro area.



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Important hub for cross-border RMB business in the Eurozone

The RMB has been catapulted to the top 10 traded currencies in the global economy. Speculations are that the yuan will become the world's next reserve currency as it has already overtaken the USD and EUR as the dominant reference currency in East Asia. Also in Chile, India and South Africa, the Chinese RMB is now a reference currency.

With more than 260bn assets denominated in RMB held in Luxembourg domiciled investment funds the country ranks first amongst the centres handling RMB business in Europe, according to the latest statistics of Luxembourg for Finance (LFF). Several important Chinese banks like the Bank of China (BoC), which was the first Chinese bank to enter Luxembourg in 1979, as well as the Industrial and Commercial Bank of China (ICBC), the largest bank in the world by market capitalisation, and the China Construction Bank (CCB) have their European headquarters in Luxembourg.

**>> Luxembourg offers unique
expertise in cross-border financial
services <<**

Bridging between Europe and China

The regulators in Luxembourg and China signed a Memorandum of Understanding (MoU) which allows Chinese institutional investors to invest in Luxembourg regulated investment funds. Therefore Luxembourg domiciled UCITS funds are eligible for portfolios under the Qualified Domestic Institutional Investors (QDII) program promoted by banks, fund managers and securities firms in China. Since 2006, the program allows Chinese investors to access markets

outside the country. On the other side, the MoU makes it possible to distribute UCITS funds in mainland China through the QDII scheme.

The RMB Qualified Foreign Institutional Investor (RQFII) scheme launched in 2011 has been set up to provide a channel for offshore RMB to flow back into mainland China. Since 2013 it is possible to connect a UCITS structure to RQFII funds. This offers a much broader perspective in terms of distribution of RQFII products, an access to the UCITS passport in the EU as well as the benefit of wide recognition of UCITS outside the EU.

The approval of the first Luxembourg RQFII UCITS fund in November 2013 has been widely reported. The new rules of liquidity for RQFII funds correspond since the latest expansion of the RQFII scheme in March 2013 entirely to the UCITS regulation that also requires liquidity. As a leading jurisdiction for UCITS, Luxembourg is the place to be for QDII products as well as domicile for RQFII investment funds. For a Chinese asset manager planning to launch an investment fund product and to distribute on a cross-border basis, i.e., not only in Europe but back to Asia, to Latin America and to the Middle East, Luxembourg offers the ideal platform for their distribution ambitions.

Besides its special relationship with China, Luxembourg is also actively building relationships with other Asian countries or regions by signing treaties to avoid double taxation amongst others.

Alceda's partnerships in the Asian region are supported from its Hong Kong office, which opened in 2012.

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Alceda is a leading independent structuring specialist in Europe dedicated to the structuring of traditional and alternative investments. Alceda provides asset and fund managers, banks and family offices with tailored investment solutions and global access to investors and distribution partners. In addition, Alceda offers institutional investors the choice of a range of innovative investment strategies from highly specialised fund boutiques worldwide.

Established in 2007, Alceda is represented in 4 countries, with offices in Luxembourg, Hamburg, London and Hong Kong. With over 70 employees worldwide, Alceda has over USD 8bn in Assets under Administration across a variety of products.

For more information please see: www.alceda.lu

Sources: Luxembourg for Finance, www.rmb-business.com, Association of the Luxembourg Fund Industry (ALFI)

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