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Luxembourg Private Equity & Venture Capital Association

LPEA Newsletter

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December 2013

Dear LPEA Member, Dear Reader:

2013 proved to be another challenging year for the Private Equity and Venture Capital industry on global and local scale. Access to capital remained limited, at best. The number of regulatory impediments continued to increase. Albeit those challenges, a number of deals and fundraising success stories showcased the ingenuity and tenacity of the industry. A sign of optimism.

A strong financial center, boasting welcoming PE/VC environment, Luxembourg undertook a number of steps to maintain its status. Part of the first wave of jurisdictions to adopt AIFMD, Luxembourg continued to prove its commitment to the Alternative Investment Funds industry and best practice development in terms of its legal, tax and regulatory administration. This has become particularly apparent in the program of the incoming Government, which would indicate that it has embraced a number of our, the industry advocates', comments and suggestions. We are looking forward to, and

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will offer our participation in, bringing these improvements to life.

Yet again, it's been a busy year for the Luxembourg Private Equity and Venture Capital Association (LPEA). Carrying on with its ambitions plans, the Association continued its growth, promotion of Luxembourg and industry education. On the operations' end, LPEA invested in further developing its internal organization to position itself for future growth. LPEA members can already attest to the immediate and immense return on investment and are to expect more in the coming year. Let me take a moment and thank the Office of LPEA, LPEA's Executive Committee and Board for their contributions and commitment. Last but not least, thank you, dear LPEA members, for your support! We look forward to continuing serving you.

Merry Christmas and successful 2014!

Hans-Jürgen Schmitz, Chairman of LPEA

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DeaLux: WIX, a Mangrove backed company, goes public

Early this year we launched a new section in LPEA's Newsletter, called "DeaLux" (Deals in Luxembourg), featuring prominent local transactions and conversations with key players. We now introduce you to another local deal, an example of the

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entrepreneurial opportunities in Luxembourg...

Wix (www.wix.com) a portfolio company of Mangrove Capital Partners (www.mangrove.vc), a Luxembourg based VC firm, went public this November.

It all began in 2007 when Mangrove started exploring the Israeli market. Mangrove was approached by an angel investor who presented Wix. At the time, Wix was a team of around 20 members from Tel Aviv with one product in test phase. Mangrove purchased 3% of the business, and after 9 months decided to lead a funding round for \$3 m to support the start-up's growth.

Today Wix has **over 40 million users** globally and **\$55 million in revenues, employees over 500 professionals**, and is presently **valued at around \$ 1 bn**. To find out more about this Cinderella story, please [READ ON.](#)

Mira Ilieva Leonard, The Office of LPEA

LPEA on the Road: past and upcoming events

LPEA has had a busy year, waving the Luxembourg flag and promoting the PE/VC industry. Most recently, over the past couple of months the Association organized a special content rich event in Paris and participated in ALFI's European Alternative Investment Fund Conference. For details on these promotional activities, please [CLICK HERE.](#)

Come **January 15, 2014** LPEA will join forces with the Swiss Private Equity & Corporate Finance Association (SECA) for a breakfast event, titled "**Luxembourg: a hub for Private Equity Funds**".

In addition to providing relationship building opportunities, this workshop will communicate the reasons Luxembourg has become an increasingly important jurisdiction for Private Equity

and Venture Capital funds over the past years, as well as the measures Luxembourg is taking to maintain its leading financial position in Europe. Leading Private Equity and Venture Capital experts from Luxembourg and Switzerland will discuss issues such as fundraising, tax, legal and regulatory developments that affect the choice of jurisdiction and demonstrate the solutions Luxembourg presents for Swiss PE and VC funds. **For additional details [click here](#).**

For a comprehensive **invitation**, please [click here](#). To **RSVP**, email **info@seca.ch**. LPEA Members, note "LPEA Member" registration code to avoid SECA event fees.

Paul Junck, LPEA Managing Director

Why MiFID can be a serious impediment to AIFMs raising funds?

Until recently, when the Alternative Investment Fund Managers Directive (AIFMD) entered into force (July 22, 2013), Alternative Investment Funds (AIFs) such as Real Estate funds, Private Equity/Venture Capital funds and Hard Asset funds (i.e. cars, horses, jewels, watches and wine) could raise money from well-informed investors[1]. Under AIFMD, this possibility no longer exists because the Directive makes a strict and explicit link to the Markets in Financial Instruments Directive (MiFID). Alternative Investment Fund Managers (AIFMs) can only market AIFs to "professional investors" as defined under MiFID. This means that an AIFM marketing funds, carrying out a strategy listed above can no longer approach High Net Worth Individuals (HNWIs), regardless if AIFMD is optional or compulsory.

Indeed, MiFID sees the world of investors in black and white: professional investors on one hand (i.e. financial institutions such as investment firms, banks, insurance companies, pension funds) and retail investors on the other hand, i.e. people who lack the knowledge and experience, necessary to understand

any sort of investment except if these investments are packaged as retail and provided by those same professional investors. This leads to particularly absurd situations.

To access the full article, please [CLICK HERE](#).

Jérôme Wittamer, LPEA Executive Committee Member

[1] Institutional investors, professional investors and any other investor who has confirmed in writing that they adhere to the status of a "well-informed" investor and who either invests a minimum of EUR 125,000 in the specialised investment fund or who has an appraisal from an EU bank certifying that they have the appropriate expertise, experience and knowledge to adequately understand the investment made in the fund. This last category gives "sophisticated" investors access to SIFs investing in real estate, technology, life sciences and hard assets.

Update from the LPEA Accounting & Valuation Technical Committee

[LPEA is actively setting best market practice for Limited Partnership accounting](#)

The recent legislative changes have given rise to a flexible and efficient limited partnership (LP) vehicle, which meets the Private Equity funds industry's needs for lightly regulated funds in a tax neutral way. This successful first step needs to be followed by a second step that brings Luxembourg into unknown territories because of the completely new aspects. As new vehicles are being launched under this regime, the key factor for success is now the efficiency of their administration in terms of accounting, corporate secretariat and investor reporting. **Alexandre Prost-Gargoz**, LPEA Associate Member, explains further [HERE](#) on behalf of LPEA Accounting and Valuation Committee.

[Recent updates on the Accounting Law: Impact for PE/VC industry in Luxembourg](#)

Véronique Lefebvre, LPEA Associate Member, reports on behalf of LPEA Accounting and Valuation Committee how the new 2013 Accounting Law, published on 2 October 2013 impacts the PE/VC industry in Luxembourg. Click [HERE](#) for details.

AIFMD - Private Equity and the real economy

Much has been written about AIFMD, explanatory, critical, analytic, and no doubt more is yet to be written. There will be evaluation of its success (or failure), there will be justification, no doubt one day there will be a second (and perhaps third, fourth, fifth, sixth and seventh iteration of recent legislative patterns are to be followed). But perhaps the analysis that will never be written, because unquantifiable, will be the damage that AIFMD may do to the real economy. It is sobering to think that AIFMD just could be the final straw and the catalyst that tips the aging population of Europe into long term poverty and is the leaf falling in the forest that leads to the marginalisation of the European Union.

Far-fetched? Perhaps, perhaps not. **To access the full article, please [CLICK HERE](#).**

Christopher Stuart-Sinclair, LPEA Associate Member

SCA & SCS - You want to be external or internal AIFM?

Both alternatives seem permissible.

It seems without dispute that fonds commun de placement

(FCP) and sociétés en commandite spéciale (SCSp) cannot be internally managed alternative investment fund managers (AIFM) as defined in the relevant law of 12 July 2013 (AIFM Law). Both lack legal personality and have no means (i.e. no internal management body) to be managed internally and hence be managed exclusively by an external AIFM.

To access the full article, please [CLICK HERE](#).

Marcus Peter, LPEA Associate Member

Exchange of information: challenges ahead

The Ministry of Finance communicated this November the 19th its utter disappointment at the ranking of Luxembourg amongst "non-compliant countries" by the OECD Global forum on transparency and exchange of information in tax matters. Such a finding occurred in spite of the multiple genuine and speedy efforts made since 2009: amendment of double tax treaties in line with the OECD exchange of information ("EOI") standard, expedited injunction procedure to collect information held by third parties, expedited court procedure for challenged injunctions, timely processing of several hundreds of information requests each year, legislative bill on the mandatory deposit and registration of bearer shares...

To access the full article, please [CLICK HERE](#).

Lionel Noguera, LPEA Associate Member

Sincerely,

Paul Junck, Managing Director of LPEA

About LPEA

LPEA is a non-profit organization serving a threefold mission:

- Towards its members, represent and promote the interests of Private Equity and Venture Capital players based in Luxembourg;
- Towards Luxembourg, support government and private initiatives to enhance the attractiveness, competitiveness and efficiency of the Luxembourg economic, legal, regulatory and operational framework as an international hub for carrying out Private Equity and Venture Capital business and / or servicing the industry in all its dimensions.
- Towards the European Venture Capital and Private Equity Association (EVCA) and other relevant international industry bodies, represent the interests of the members of the LPEA and the industry as well as Luxembourg as a place for doing Private Equity and Venture Capital business.

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LPEA | Bâtiment Président Park | 8, rue Albert Borschette | Luxembourg | L-1246 | Luxembourg