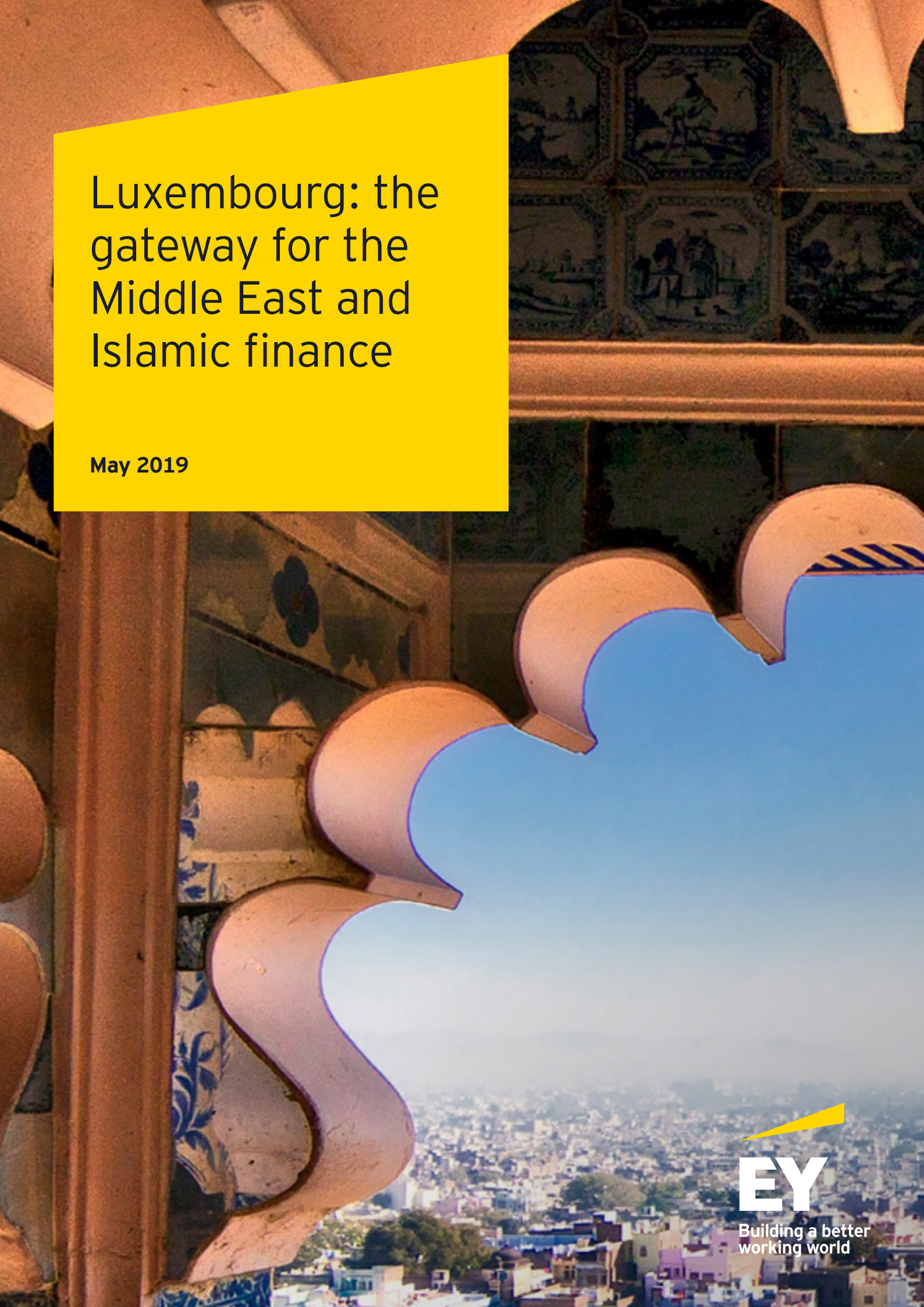
Luxembourg: the gateway for the Middle East and Islamic finance

May 2019



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Foreword

Dear Clients and Friends,

Welcome to the 2019 edition of our publication *Luxembourg: the gateway for the Middle East and Islamic finance*. The purpose of this brochure is to inspire and inform the business strategies of interested parties through specific and actionable insights as well as to highlight the business opportunities offered by the Grand-Duchy of Luxembourg as a leading European Islamic finance hub while taking into consideration the Middle East investors' perspective.

A mix of circumstances faces the economies of the Middle East in 2019, although positive progress is expected as governments move away from austerity policies. This year, the Middle East can anticipate a year of progress, with governments generally planning more expansive budgeting courses and the private sector attitude moving in the right direction. With oil prices stabilizing at around US$60-70 per barrel – a level allowing most oil and gas producing countries in the Region to reach fiscal breakeven as well as the implementation of more public investment projects, the Middle East economy is slowly on the rise to recovery despite geopolitical instability and growing signs that the Global economy is softening. However, the future for the Middle East is afflicted by profound uncertainties such as the battle for regional leadership between Saudi Arabia and Iran not showing signs of cooling down, as well as the blockade against Qatar, and the reinstated US sanctions against Iran. These are just some of the factors currently re-shaping the macro-economic environment of the Middle East.

In such context, it is no surprise that the appetite of Middle East investors for outbound investments remains high and is expanding beyond the traditional circle of the sovereign wealth funds and high profile wealthy families. While Middle East investors continue to favor real estate for providing them with good capital protection and stable revenue streams, signs of emerging interest for private equity type of investments are apparent in sectors which are strongly connected to the Regional diversification efforts.

How can Luxembourg position itself in this changing landscape? Globally renowned as a preferred choice for the domiciliation of investment funds and the structuring of cross border acquisitions thanks to its legal and regulatory toolbox, as well as its early positioning on Islamic Finance, making it today, the third largest Islamic fund center in the world after Saudi Arabia and Malaysia and first outside the Muslim world, ranked by the number of Islamic funds established in the market. Luxembourg is the leading non-Muslim domicile for *Sharia*-compliant investment funds.

We hope you find this brochure insightful.

Jean-Michel Pacaud
Partner
Middle East and Islamic Finance Leader

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Luxembourg is the leading non-Muslim domicile for *Sharia*-compliant investment funds and globally the fourth Islamic fund center, ranked by the number of Islamic funds established in the market. The Grand-Duchy of Luxembourg is a popular location for listing *Sukuk* on the primary market and the domicile of choice for the international investment structures of a number of sovereign wealth funds.

As a diversified financial center offering a full range of products, Luxembourg is the leading cross-border hub for investment funds and the largest wealth management center in the Eurozone (Schengen Area).

Luxembourg’s international financial center is perfectly equipped to address the needs of both conventional and *Sharia*-compliant investment funds and investment structures and is already recognized as a leading European center for Islamic finance and Middle Eastern investments.

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Luxembourg: the gateway for the Middle East and Islamic finance

Luxembourg – the international financial center at the heart of Europe

Luxembourg, as the second largest fund center in the world after the US, has an excellent reputation as a European Union (EU) on-shore financial center, characterized by a strong culture of investor protection and rigorous conduct of business rules.

Luxembourg offers a stable business environment, backed by its social and political stability as an 'AAA' rated economy. The country has one of the world's lowest debt-to-gross domestic product (GDP) ratios.

Luxembourg offers a full range of financial services provided by financial institutions including banks, investment firms, insurance undertakings and other financial sector professionals, supported by highly experienced and competent locally-based lawyers, accountants and tax advisors.

Due to the success of Luxembourg in attracting foreign business and personnel, the financial center stands out for its multilingual and multicultural workforce, with extensive experience in the needs of an international clientele. English is the most commonly used language in the financial services sector in Luxembourg.

Situated strategically at the heart of Europe, the Grand-Duchy of Luxembourg offers world class connectivity to other financial centers, including regular air and rail links to Europe's major cities such as London, Frankfurt, Paris, Brussels, Geneva and Zurich.

Luxembourg is a founding member of the EU and the Eurozone. The Grand-Duchy is the third EU capital along with Brussels and Strasbourg. A number of major European institutions are headquartered in Luxembourg, i.e., the European Court of Justice, the European Court of Auditors, the European Financial Stability Facility (EFSF), the European Investment Bank, and the European Investment Fund. The Grand-Duchy of Luxembourg is also a member of many international bodies including the United Nations (UN).

> Situated strategically at the heart of Europe, the Grand-Duchy of Luxembourg offers world class connectivity to other financial centers.

One of the

top three

financial centers in the EU
together with London and Frankfurt

Global hub for cross-border fund distribution

International leader in debt capital markets, structured finance and post-trade services

Attractive and comprehensive tool box of investment vehicles and specific regulatory frameworks

Luxembourg Green Exchange: first dedicated exchange for green sustainable and social securities in the world

The Stock Exchange is the global leader in international securities listings with

36,000

securities in over 50 currencies

Leading domicile for investment funds in Europe

Premier private banking center in the Eurozone

Strong links with the Middle East

Luxembourg's financial services industry, regulators and supervisory authorities have adopted an international proactive approach, as illustrated for example, by:

- Promotional activities: Luxembourg organizations, including LuxembourgForFinance (LFF) the agency for the development of the financial center and the Association of the Luxembourg Fund Industry (ALFI), regularly organize international roadshows to promote the Luxembourg financial center, its products and services, as well as to update industry professionals on relevant industry developments (e.g., in the Middle East and Asia)
- Supervisory cooperation: Luxembourg's financial sector supervisory authority, the Commission de Surveillance du Secteur Financier (CSSF), cooperates with European supervisory authorities and international organizations such as the International Organization of Securities Commissions (IOSCO)
- The CSSF has signed memoranda of understanding (MoU) with the supervisory authorities in many countries, a number of which are active in the context of Islamic finance, e.g., Bahrain, Egypt, Kazakhstan, Malaysia, Morocco, Oman, Qatar, Singapore, Turkey, and the United Arab Emirates, including Abu Dhabi and Dubai. Further to the European Securities and Markets Authority's (ESMA) approval of cooperation agreements between EU securities regulators and their global counterparts, the CSSF signed MoU with supervisory authorities of third countries meeting the requirements of the Alternative Investment Fund Managers Directive (AIFMD) for cooperation agreements, including supervisory authorities of Egypt, Malaysia including the federal territory Labuan, Morocco, Pakistan, Singapore, Turkey, and United Arab Emirates, including Dubai
- Double taxation treaties (DTTs): Luxembourg has signed DTTs with 83 countries, including Bahrain, Brunei, Cyprus, Indonesia, Kazakhstan, Kingdom of Saudi Arabia, Malaysia, Morocco, Qatar, Senegal, Tunisia, Turkey, the United Arab Emirates and Uzbekistan. The new DTTs with Cyprus and Senegal entered into force on 1 January 2019. Further treaties are under negotiation, including treaties with Egypt, Kirghizstan, Kosovo, Kuwait, Lebanon, Oman, and Pakistan

Growing interest in Islamic finance

Islamic finance is one of the fastest growing areas of the global financial services industry. The spread of Islamic finance into western markets demonstrates that it is now being viewed by investors, financial institutions and regulators as a viable alternative to conventional products.

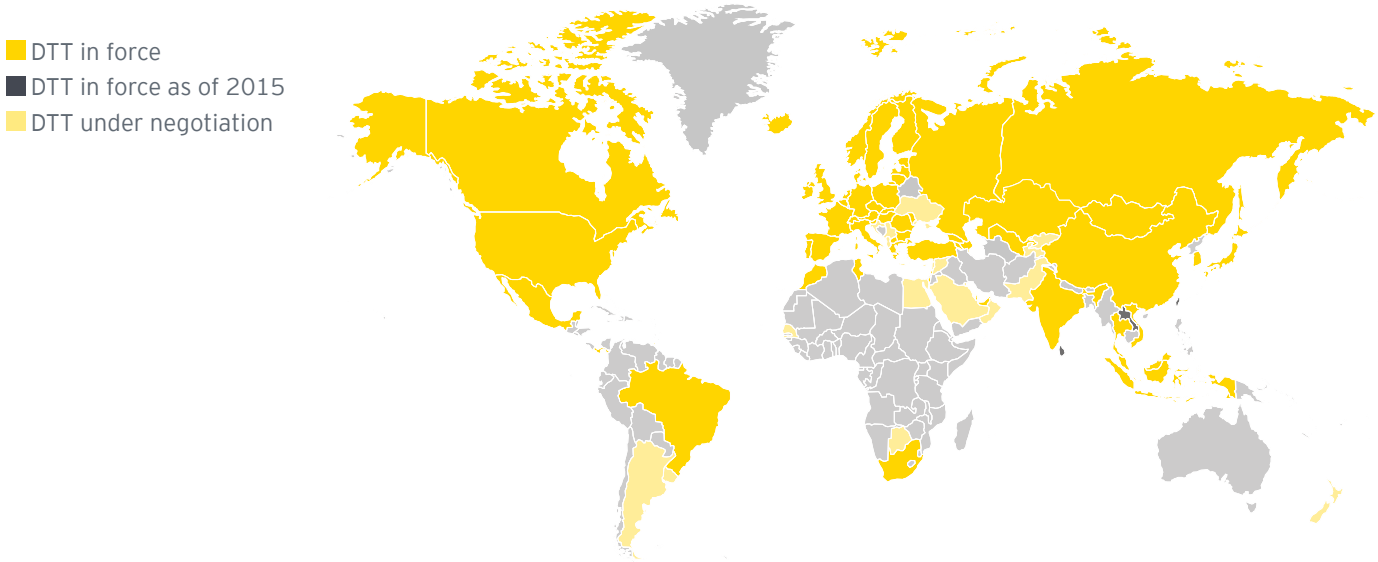
The principle differentiators between Islamic finance and conventional finance include the following:

- Risk and profit must be shared equally between parties to a transaction
- Speculation and uncertainty in transactions are strictly prohibited
- Making money from money (i.e., interest) is prohibited
- Certain activities are prohibited
- Transactions must be asset-based or asset-backed

Islamic financial products are available to the general public and not only to Muslims. Overall, Islamic financial products are regarded as an alternative to conventional financial products, and are increasingly considered to be a form of socially responsible and/or ethical investing.

Luxembourg is the first European country to be a member of the International Islamic Liquidity Management (IILM) and Luxembourg's Central Bank (BCL) is the first European central bank to be a member of the Islamic Financial Services Board (IFSB).

The Grand-Duchy of Luxembourg is the leading non-Muslim domicile for *Sharia*-compliant investment funds and globally the third Islamic Fund Center, ranked by the number of Islamic funds established in the market. Luxembourg is also the first Eurozone country to issue a sovereign *Sukuk*.



Within the EU, Luxembourg serves as a hub for financial institutions seeking to expand their operations in the Eurozone. Luxembourg has long been known by institutional investors as an ideal center to manage an investment platform both within Europe and beyond. Today it is estimated that approximately 80% of all global private equity transactions are structured through using Luxembourg investment vehicles.

In recent years, financial institutions from emerging countries have been using Luxembourg as a hub to help their expansion in Europe.

Chinese financial institution firms serve as a case in point; in recent times, seven of the largest Chinese banks have established their de facto continental European headquarters in Luxembourg. A number of Chinese banks have indicated their interests to set up in Luxembourg in near future. Ant Financial Services Group, an affiliate company of the Chinese Alibaba Group, has confirmed Luxembourg as the location of its European hub in 2018. Bank of Singapore announced in July 2018 that it has been granted an investment company license to operate a wealth management subsidiary in Luxembourg – a first for a Singapore private bank.

Such a strategy affords firms the freedom of establishment provided by the European directives. The directives allow firms to set up branches in selected EU Member States where they need a business presence.

A similar approach could certainly benefit premium Islamic financial institutions (i.e., banks and insurance companies) which would have as a strategy to tackle the hugely lucrative yet untapped market of Muslim residents in Western European countries. Luxembourg would be well-positioned to welcome the first full-fledged Islamic bank aimed at offering *Sharia*-compliant retail, corporate and private banking services in the Eurozone.

Achieving *Sharia* compliance in Luxembourg

Luxembourg's position as the leading center for internationally distributed investment funds, combined with the financial center's expertise in Islamic finance, make the country an ideal location for the creation and administration of *Sharia*-compliant investment vehicles and cross-border distribution of investment products.

Luxembourg offers a wide range of investment vehicles that can be *Sharia*-compliant, responding to the specific needs of both investors and initiators. Luxembourg law and regulation are perfectly compatible with *Sharia* Law; *Sharia*-compliance is generally achieved through appropriate structuring of the vehicle combined with contractual arrangements, governance structure and appropriate offering documents.

Luxembourg investment vehicles range from highly regulated to unregulated. For example, financial transactions may be structured through securitization vehicles (SVs), which may be regulated or not depending on how often they raise capital from the public.

From a regulatory perspective, the CSSF will seek to ensure that all applicable Luxembourg legal and regulatory requirements are complied with for regulated and/or listed entities. The CSSF will, for example, expect that:

- The members of the governing body and the management are of sufficient repute, and have sufficient knowledge and expertise
- The offering documents provide appropriate information about the essential characteristics of the investment, so that investors are reasonably able to understand the nature and the risks of the investment product that is being offered to them and, consequently, to take investment decisions on an informed basis

As long as investments of a regulated fund comply with the applicable laws and regulations, the CSSF does not place any condition on a fund with regard to the compatibility of its investments with *Sharia*.

Framework for Islamic finance

Luxembourg offers a wide range of investment vehicles (regulated or not) that are either fully subject to taxation but benefitting from tax exemptions or deductions in line with European legislation (e.g., Luxembourg holding company (SOPARFI), Venture Capital company (SICAR), SVs) or tax exempt and liable to annual subscription tax levied on the net asset value (NAV) (e.g., Specialized Investment Fund (SIF) and Reserved Alternative Investment Fund (RAIF)). Traditionally, the Grand-Duchy provides a platform for cross-border investments made by large corporates, sovereign wealth funds and private equity and real estate funds. Luxembourg's tax regime is one of Europe's most favorable for business in line with the standards of the Organisation for Economic Co-operation Development (OECD). An important factor in this respect is its extensive network of DTTs, including DTTs signed with a number of countries active in the area of Islamic finance[1].

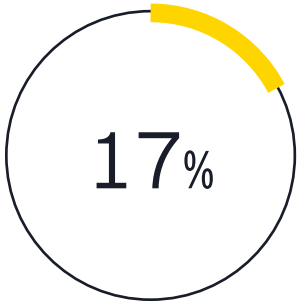
The tax authorities have provided clear guidelines on the tax treatment of certain Islamic finance products.

The Luxembourg standard value added tax (VAT) rate of 17% is the lowest standard rate in the EU.

Luxembourg tax law is based on the economic approach and substance over form principles, which enable Luxembourg to easily accommodate Islamic investments. Therefore, many Islamic finance techniques may be implemented using Luxembourg's well-known investment structures. In addition, other well-known concepts such as fiduciary contracts (a concept under Civil Law similar to trust under Common Law) allow the distinction between legal and economic ownership ensuring the compliance with the principles of Islamic finance.

The Luxembourg tax authorities issued in January 2010 a circular providing guidance on the tax treatment of certain Islamic finance instruments. As regards Murabaha, the circular allows, upon condition, amortization treatment of the capital gain realized by the contributor of the capital over the life of the Murabaha contract i.e., comparable to the interest in conventional financing. The circular also clarifies that *Sukuk* are treated as a conventional debt instrument for Luxembourg tax purposes which results in an assimilation of *Sukuk* revenue to interest (i.e., tax deductible at the level of the *Sukuk* issuer and, in principle, not subject to withholding tax (WHT) in Luxembourg unless paid directly by a Luxembourg paying agent to a Luxembourg-resident individual).

The Luxembourg indirect tax authorities released in June 2010 a circular clarifying the VAT regime applicable to Murabaha and Ijara agreements in relation to real estate, and registration duties (real estate transfer taxes).



The Luxembourg standard value added tax (VAT) rate of 17% is the lowest standard rate in the EU.

[1] Selected DTTs are listed in *Luxembourg – international financial center at the heart of Europe* in this section.

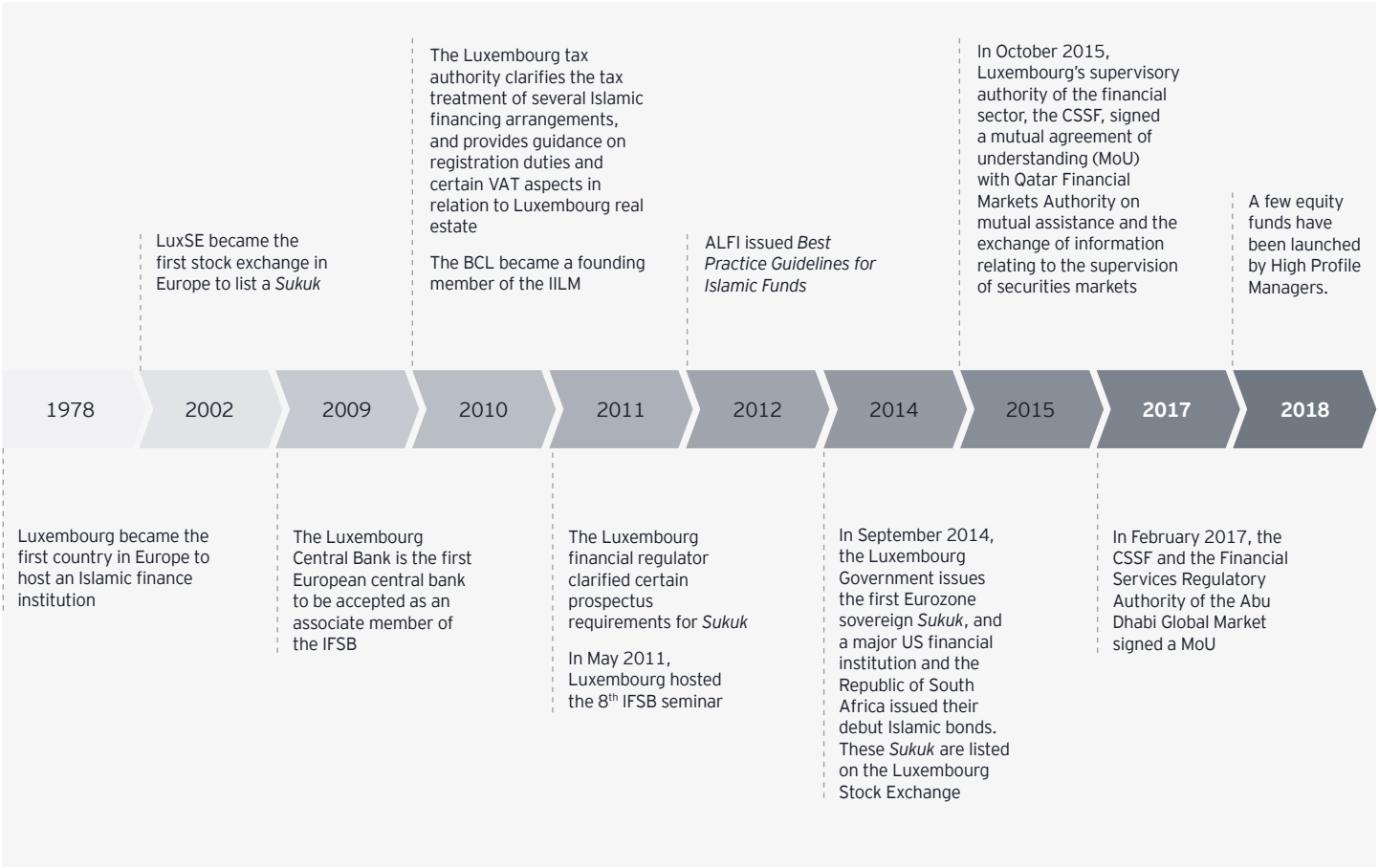
Luxembourg - a global hub for Islamic finance

Luxembourg is the leading non-Muslim domicile for *Sharia*-compliant investment structures and issuance of *Sukuk*. Among others, Luxembourg has achieved the following key milestones in the growing sector of Islamic finance:

- Luxembourg is the largest Islamic investment fund domicile in non-Muslim countries with over €11 b of assets under management. Currently, 49 *Sharia*-compliant funds are domiciled in Luxembourg and 21 *Sukuk* are listed on the Luxembourg Stock Exchange (LuxSE)
- First European country to be a member of IILM
- First European central bank to be a member of IFSB
- First Eurozone country to issue sovereign *Sukuk*

3rd

largest Islamic fund center in the world after Saudi Arabia and Malaysia



The Luxembourg indirect tax authorities confirmed that special purpose vehicles (SPV) set up within the scope of *Murabaha* and *Ijara* structures are considered as performing activities within the scope of VAT, hence qualify as taxable persons for VAT purposes.

Thus, provisions relating to the VAT exemption of the supply of a building or parts thereof as well as of the leasing or letting of immovable property and the option for the taxation of those real estate transactions of the Luxembourg VAT Law apply to such *Sharia* compliant real estate transactions.

In respect of registration duties, the transfer of shares in partnerships or economic interest groups which hold buildings or parts thereof in their assets triggers a six percent transfer tax. However, if the SPV discloses in the purchase deed its intention to resell the building, and if the resale deed is registered at the same time, only 1.2% of transfer tax is due on the purchase.

Under certain conditions, the mark-up resulting from the difference between the price due from the investor in the SPV and the one paid by the SPV for the acquisition of the building, is assimilated to interest and consequently not subject to transfer tax.

Adhering to tax transparency while protecting personal data

Over the last few years, Luxembourg has adapted to a tax environment where key considerations are transparency and exchange of information, as well as the alignment of taxation with economic substance and value creation. The *Global Forum on Transparency and Exchange of Information for Tax Purposes* rated Luxembourg as *largely compliant* since the standard of transparency and exchange of information were fully implemented. Luxembourg also adopted numerous measures to implement tax transparency in line with international standards, e.g.:

- United States Foreign Account Tax Compliance Act (FATCA) provisions
- Full support to the OECD action plan for Base Erosion and Profit Shifting (BEPS)
- Implementation of the EU Anti-Tax Avoidance Directive (ATAD)
- Introduction of Common Reporting Standard (CRS) and implementation of automatic exchange of information in the field of taxation (DAC 2 and CRS MCAA)
- Introduction of mandatory automatic exchange of information on cross-border rulings and advance pricing agreements (DAC 3)
- Introduction of country-by-country reporting (CbCR) for multinational enterprises
- Introduction from 1 July 2020 of automatic exchange of information on reportable cross-border arrangements entered into force from 25 June 2018 (DAC 6)

Simultaneously, the protection of personal data has been reinforced by the application, from 25 May 2018, of the EU General Data Protection Regulation (GDPR).

Luxembourg investment vehicles and *Sharia* implementation

Comparison of Luxembourg investment vehicles from a *Sharia* perspective[2]:

	Traditional investment funds	Alternative investment funds					Other investment vehicles	Securitization vehicles
	UCITS	UCI	SIF	SICAR	RAIF	Financial holding companies (SOPARFI)		
Applicable legislation	2010 Law: Part I of the Law of 17 December 2010, as amended	2010 Law: Part II of the Law of 17 December 2010, as amended	SIF Law: Law of 13 February 2007, as amended	SICAR Law: Law of 15 June 2004, as amended	RAIF Law: Law of 23 July 2016	Commercial Company Law: Law of 10 August 1915, as amended (1915 Law)		Securitization Law: Law of 22 March 2004, as amended
Eligible investors	All – retail, professional or institutional		Informed	Informed	Professional or institutional or (other) well-informed investors[3]	All		All
Distribution in EU	• Retail investors: EU passport	• Retail investors: national requirements apply						National requirements apply (unless manager is an AIFM)
	• Professional investors: EU passport	• Professional investors: EU passport if manager is an authorized AIFM , else national private placement regimes apply[4]					National requirements apply	National requirements apply
Supervision by CSSF	Yes, supervision of UCITS product and of management company	Yes, supervision of UCI product by CSSF and of AIFM by CSSF or EU home regulator	Yes, light supervision of product and supervision of AIFM (if applicable)		No authorization and no supervision of product[5]; supervision of AIFM		No supervision	No supervision of product. No supervision of manager, unless manager is an AIFM
Eligible investments	Transferable securities such as equities, bonds, money market instruments and certain derivatives. UCITS may employ techniques and instruments related to transferable securities Detailed restrictions apply	Flexible	Any – unrestricted	All types of private equity/ venture capital investments, including opportunistic real estate (i.e., risk capital)	Any – unrestricted			Securitization of risks linked to any assets No active management of the assets
Diversification	Detailed requirements	General requirements		No requirements	General requirements	General requirements	No requirements	No requirements
Risk management	Detailed requirements	General requirements		General requirements, if managed by an AIFM	AIFM requirements	No requirements, unless manager is subject to AIFM Directive	No requirements	No requirements

[2] Abbreviations and specialist terms are covered in the *Glossary*.

[3] Investor to confirm the *well-informed investor status* in written and invests a minimum of €125,000, or has been subject if an assessment made by a credit institution, investment firm or management company certifying the investor's expertise, experience and knowledge in adequately apprising an investment in the RAIF.

[4] See *Alternative investment funds: a complete range of products and solutions* in the section entitled Luxembourg – the world's cross-border investment fund distribution hub.

[5] The RAIF must be managed by an authorized AIFM which will be supervised by the competent authority of its country of domicile. A RAIF will not however be directly supervised by the CSSF.

	Traditional investment funds	Alternative investment funds					Other investment vehicles	Securitization vehicles
	UCITS	UCI	SIF	SICAR	RAIF	Financial holding companies (SOPARFI)		
Tax treatment	Can be set up in tax transparent or nontransparent (opaque) form		Can be set up in tax transparent or nontransparent (opaque) form[6]	Can be set up in tax transparent or nontransparent (opaque) form[7]	Can adopt one of the three following legal structures: ▸ SICAV[8] ▸ SICAF[9] ▸ FCP ▸ SICAR-eligible form	Can be set up in tax transparent or nontransparent (opaque) form[10]		Can be set up in tax transparent or nontransparent (opaque) form
	No tax, except for annual subscription tax of 0.05% on the NAV unless a reduced rate or exemption applies		No tax, except for annual subscription tax of 0.01% on the NAV, unless an exemption applies	For opaque entities, income tax at 24.94[11] but effective tax rate close to 0% due to special provisions (exemption of income from securities); they may, however, be subject to the minimum net wealth tax regime	No tax, except for annual subscription tax of 0.01% on the Net Asset Value (NAV) unless an exemption applies RAIFs investing entirely in risk capital and having opted for RIF-SICAR status will be subject to the tax regime applicable to SICARs	For opaque entities, income tax at 24.94% (but dividend and capital gains exceptions under conditions); subject to net wealth tax including the minimum tax net wealth regime[12]		For opaque entities, income tax at 24.94%, but effective tax rate close to 0% due to special provisions (interest and dividend payments are deductible from the tax base); they may, however, be subject to the minimum net wealth tax regime[13]
	No dividend withholding tax					Dividend WHT of 15%, but reductions or exemptions are available under EU law and DTTs		No dividend withholding tax
Benefit from DTTs	Yes, a number of Luxembourg DTTs are applicable, but in most cases only if in the form of an investment company					Yes[14]		Yes, a number of Luxembourg DTTs are applicable, but in most cases only if in the form of a securitization company
Implementation of Islamic finance arrangements	*Mudaraba, Murabaha, Musharaka, Ijara, Sukuk*							

[6] A SIF can be organized in both a fiscally opaque corporate entity form (i.e., public limited company (S.A.), private limited liability company (S.à r.l.) or partnership limited by shares (S.C.A.)) or in the tax transparent form of a common limited partnership (S.C.S.) or special limited partnership (S.C.Sp.) or common fund (FCP).

[7] A SICAR can be organized in a fiscally opaque corporate entity form (i.e., S.A., S.à r.l. or S.C.A.), but other legal forms, inter alia, the tax transparent forms of a S.C.S. or S.C.Sp. may also be chosen. A SICAR cannot be organized as a common fund (FCP).

[8] SICAV and SICAFs may opt for the various legal forms i.e., S.A., S.à r.l., limited partnership, S.C.Sp. and S.C.A.)

[9] Idem.

[10] A SOPARFI will most typically be organized in a fiscally opaque corporate entity form (i.e., S.A., S.à r.l. or S.C.A)., but other legal forms, inter alia, the tax transparent forms of a S.C.S. or S.C.Sp. may also be chosen. A SOPARFI cannot be organized as a FCP.

[11] 24.94% in Luxembourg City in 2019 based on 2019 Budget Bill. 26.01% in 2018.

[12] The minimum corporate tax regime was abolished as from 2016 and compensated by the introduction of a differential rate of net wealth tax depending on the amount of taxable net wealth (i.e., the unitary value (UV)) and of a new minimum net wealth tax regime as of 1 January 2016. Net wealth tax continues to be levied annually at a rate of 0.5% on an amount of UV up to and including €500m. For an UV exceeding €500m, NWT of the sum of €2.5m plus 0.05% of the portion of the NWT base above €500m.

[13] The minimum corporate tax regime was replaced by a minimum NWT regime as of 1 January 2016. SICARs and securitization vehicles are subject only to the minimum NWT

[14] SOPARFIs in the form of S.C.S. and S.C.Sp. are not eligible for DTT benefits.

Luxembourg – the world's cross-border investment fund distribution hub

With more than €4.2 trillion assets under management, Luxembourg is the largest investment fund domicile in Europe and the world's leading cross-border distribution hub for investment funds.

In addition to retail investment funds, Luxembourg is also a vibrant market for alternative investment funds (AIFs), including private equity (over €400 billion of private equity/venture capital fund assets administered), real estate (over €60 million of real estate investment fund assets regulated), hedge funds, as well as structured products.

The success of Luxembourg in attracting investment funds, and becoming a major financial center, may be attributed to a number of factors such as:

- Reputation of the Luxembourg brand in the investment fund industry and the strong investment culture
- Attractive and comprehensive range of investment fund solutions/ vehicles
- Regulatory environment including accessibility, knowledge and responsiveness of the regulator
- Stability:
  - Political, economic and social environment
  - Legal environment and taxation regime
- Ability to achieve tax neutrality for products by considering direct and indirect taxation implications at fund and investor levels
- Operational factors such as relocation costs, local infrastructure, and the qualifications and knowledge of the multicultural, multilingual international workforce
- Service provider considerations such as their expertise and ability to meet specific local distribution market requirements from Luxembourg
- Strategic and central location at the heart of Europe with easy access to other financial centers
- Comprehensive capital markets and post-trade infrastructure

€4.2t

assets under management in Luxembourg

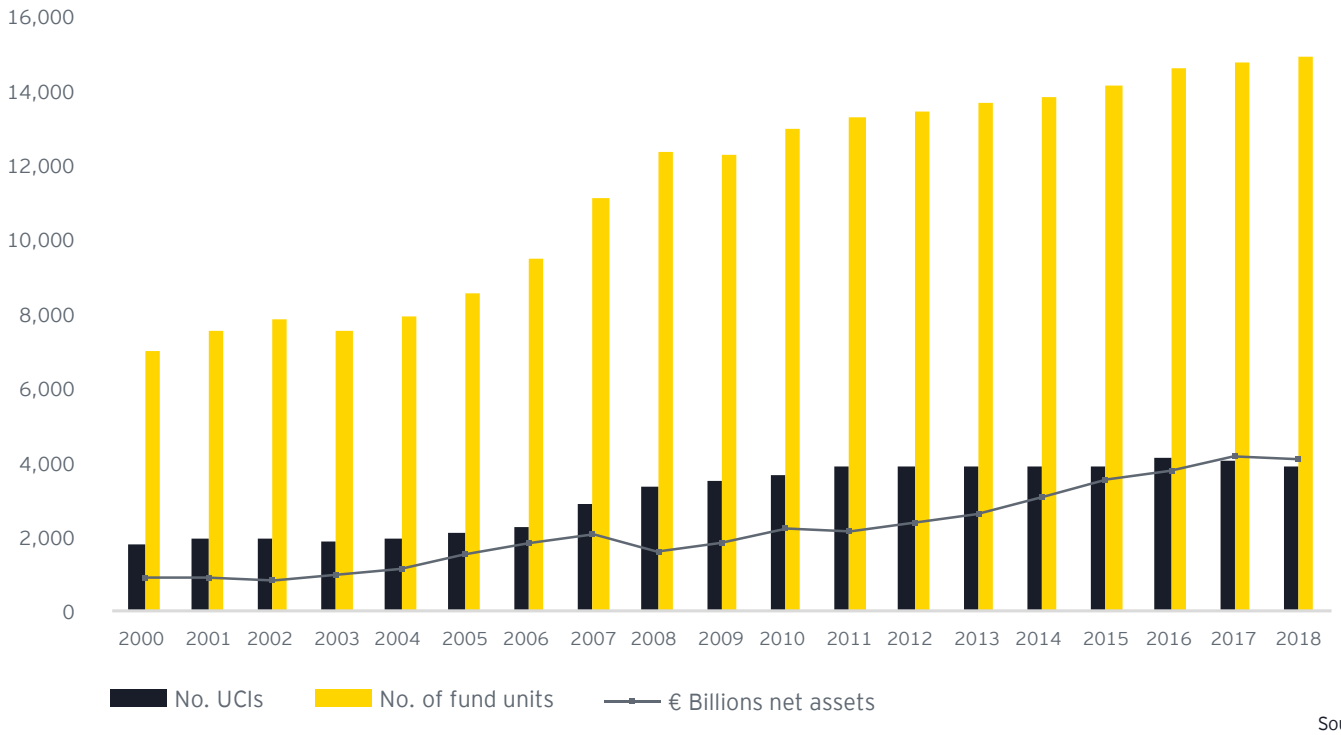
There are two basic types of investment funds in Luxembourg:

- A common fund (FCP) is a co-proprietorship with no legal personality; it must be managed by a management company (and/or AIFM). It is tax transparent (with limited exceptions)
- An investment company (generally SICAVs) which can be set up in a number of corporate forms: a private limited liability company, a public limited company or, in the case of a non-UCITS, a partnership. It must either appoint a management company (and/or AIFM) or designate itself as self-managed. It is not tax transparent (opaque) (with limited exceptions)

3,908

funds with more than 14,898 sub-funds distributed in more than 70 countries worldwide

Evolution of Luxembourg investment funds

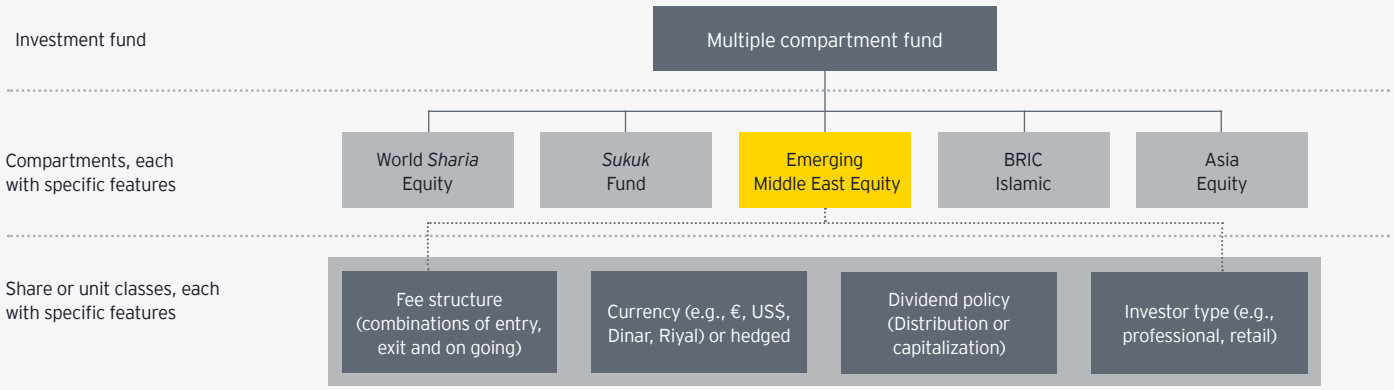


Source: CSSF

Luxembourg investment funds may be set up in an umbrella structure with various sub-funds which are created to operate as distinct entities. Accordingly, an investment fund may have several compartments (sub-funds), each of which may pursue different investment policies and attract different investors. The rights of investors and of creditors concerning a compartment, or which have arisen in connection with the creation, operation or liquidation of a compartment, are limited to the assets of that compartment (i.e., segregation of assets and liabilities on a compartment by compartment basis, also known as the protected cell concept), unless a clause included in the constitutional document provides otherwise.

Multiple share or unit classes may be created within an investment fund or, in the case of a multiple compartment investment fund, within a compartment. Share or unit classes permit the implementation of features, generally customized to one or more specific needs or preferences, such as a specific fee structure, currency of denomination, dividend policy, investor type or country of distribution.

Schematic of a possible multiple compartment, multiple share or unit class structure



UCITS – the traditional retail investment fund product

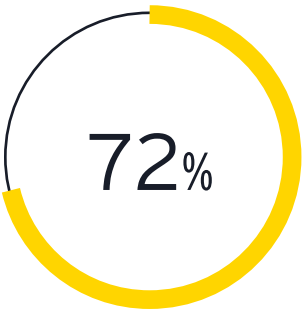
The Luxembourg UCITS is the leading globally distributed investment fund product with over 9,700 UCITS. Most UCITS are traditional investment funds such as equity, bond, money market and mixed funds.

Undertakings for collective investments in transferable securities (UCITS) are harmonized EU investment fund products which are often used to create *Sharia*-compliant investment products. UCITS are designed to offer a high level of investor protection and can be distributed to all types of investors such as retail, professional and institutional investors.

UCITS are open-ended funds investing in transferable securities such as shares, bonds, money market instruments and certain derivatives. This UCITS regime regulates the organization, management and oversight of such funds, and lays down rules on diversification, liquidity and use of leverage. The regime is designed to offer high levels of investor protection appropriate for retail investors.

UCITS can be distributed to all types of investors in most key distribution markets, and are relatively easy to distribute, compared with other UCIs. The Luxembourg UCITS is the leading product for pan-EU fund distribution and also globally; a continuously increasing number of Luxembourg UCITS are registered for sale both in EU Member States and outside the EU, for example in Africa, Asia and the Middle East. Presently, 72% of assets under management in UCITS distributed internationally are Luxembourg domiciled UCITS.

Investors recognize and demand UCITS brand products. UCITS benefit from a passport permitting them to be freely marketed throughout the EU. Many international investors are also attracted to UCITS, for example, to benefit from well-recognized EU regulation.



More than 72% of UCITS funds distributed internationally are based in Luxembourg

2013

In 2013, the AIFMD was implemented across the EU, regulating the managers of AIFs

Alternative investment funds (AIFs): a complete range of products and solutions

While UCITS are savings vehicles targeting retail investors and designed to offer the highest possible protection to investors, other asset classes such as real estate, private equity and venture capital as well as hedge funds fall outside the scope of UCITS.

In 2013, the AIFMD was implemented across the EU, regulating the managers of AIFs – i.e., investment funds that do not classify as UCITS, inter alia, with a view to increasing levels of investor protection.

All Alternative Investment Fund Managers (AIFM) are subject to the AIFMD, except if they benefit from an exemption (e.g., smaller managers).

Authorized AIFM benefit from a passport to market the AIF they manage to professional investors throughout the EU, similar to the passport for the marketing of UCITS to retail investors. This new passport regime will replace local private placement regimes, which vary from one European country to another, in 2018 at the latest.

Luxembourg was one of the first European countries that has fully implemented the AIFMD into a national law and replicates the Luxembourg UCITS success story for the distribution of alternative funds, benefiting from its reputation and expertise as a hub for UCITS products.

Besides the implementation of the AIFMD, the law transposing the AIFMD into Luxembourg domestic law introduces a new type of partnership, the special limited partnership (SLP or S.C.Sp.)[15] allowing greater legal flexibility and enhanced tax transparency. The VAT exemption applicable to investment fund management services was broadened and a specific tax regime for carried interest was introduced.

[15] See *Luxembourg's Special Limited Partnership regime – S.C.Sp.* hereafter.

The RAIF: an innovative solution for fund initiators

In 2016, Luxembourg introduced a new type of alternative investment fund: the reserved alternative investment fund (RAIF – or *fonds d'investissement alternative réservé*, FIAR). The ultimate purpose of the RAIF regime is to create a category of Luxembourg AIFs with all the advantageous features of a Luxembourg regulated investment fund while avoiding duplication of supervision by relying on the supervision of the AIFM and relieving the AIF of direct supervision. Currently, Luxembourg has over 530 RAIFs.

Currently, Luxembourg has over

530

RAIFs

Taking the above into consideration, the RAIF regime is another testimony to the ongoing commitment of the Luxembourg Grand Duchy to offer innovative solutions to fund initiators. This new form of vehicle strongly capitalizes on the supervision performed by the AIFM regulator, which addresses the current needs of the initiators who are calling for a quicker set-up of investment fund platforms while benefiting from investors' appreciation of the AIFMD label, irrespective of where in the EU the manager is regulated. The combination of the RAIF's exemption from direct prior regulatory authorization and the benefit of the RAIF's AIFM's EU passporting rights has significantly accelerated the time to market. This new vehicle does not need to compete with other fund regimes but completes the Luxembourg tool box available to AIFMD-compliant initiators who intend to market fund products to investors needing less protection than retail investors.

The RAIF regime is largely based on the Luxembourg SIF and SICAR regimes, the main difference being that the RAIF is not subject to the CSSF's authorization and supervision. As the RAIF must qualify as an AIF under the AIFMD, it does however imply that the RAIF has to comply with the products' rules defined in the AIFMD, such as the appointment of a depository and an independent auditor, disclosures to investors, the requirement to produce an annual report and compliance with some specific rules such as those related to leverage. The RAIF is open to qualified investors only. Due to its flexibility, the RAIF regime allows for all types of single and multiple draw-down structures, e.g.:

- Variability of capital: capital calls and return of capital can be achieved without cumbersome formalities or restrictions
- No significant formalities or restrictions for dividend distributions
- The minimum capital of €1.25m must be reached within one year of establishment
- The general tax regime applicable for RAIFs:
  - RAIFs are exempt from Luxembourg wealth and income taxes (except for withholding tax, where applicable, on income received). RAIFs, with some exceptions, are subject to an annual subscription tax (*taxe d'abonnement*) charged at an annual rate of 0.01% based on the NAV, valued at the end of each calendar quarter. Exemptions from subscription tax apply, for instance, to assets invested in other Luxembourg based UCIs, SIFs and RAIFs subject to subscription tax and to certain institutional cash funds, microfinance funds, and pension pooling funds. Individual compartments and classes which are reserved to pension schemes may also benefit from the subscription tax exemption.
- Optional alternative tax regime for RAIFs:
  - However, if the RAIF invests in a portfolio of risk capital, opts to be a SICAR-RAIF and complies with conditions similar to those applicable to SICARs, it is subject to the same taxation regime as a SICAR, i.e., it is a fully taxable company but may benefit from certain exemptions.
- RAIFs can be set up as tax transparent vehicles or as taxable entities that may access treaty benefits under certain Luxembourg DTTs, where available to investment companies.

  As they must first qualify as AIFs, RAIFs should benefit from the VAT exemption on AIF management services under the same conditions and restrictions as those applicable to AIFs.

SIF

The Specialized Investment Fund (SIF) is Luxembourg's leading AIF product.

SIFs are less regulated and enjoy more flexibility than UCITS, especially in terms of eligible investments and structuring. This allows both conventional and Islamic fund managers to set up investment strategy which combines various types of investments.

SIFs may be offered to a wide range of eligible, well informed investors[16].

The SIF can be structured as a Common Fund (FCP) or Investment Company[17] with fixed or variable capital.

SICARs

Investment companies in risk capital (SICARs) are investment vehicles that are specifically dedicated to private equity and venture capital investments whereby the investments must qualify as risk capital assets. The SICAR can be structured as an Investment Company[18] with fixed or variable capital. The SICAR also offers the possibility to make investments in compliance with Islamic principles.

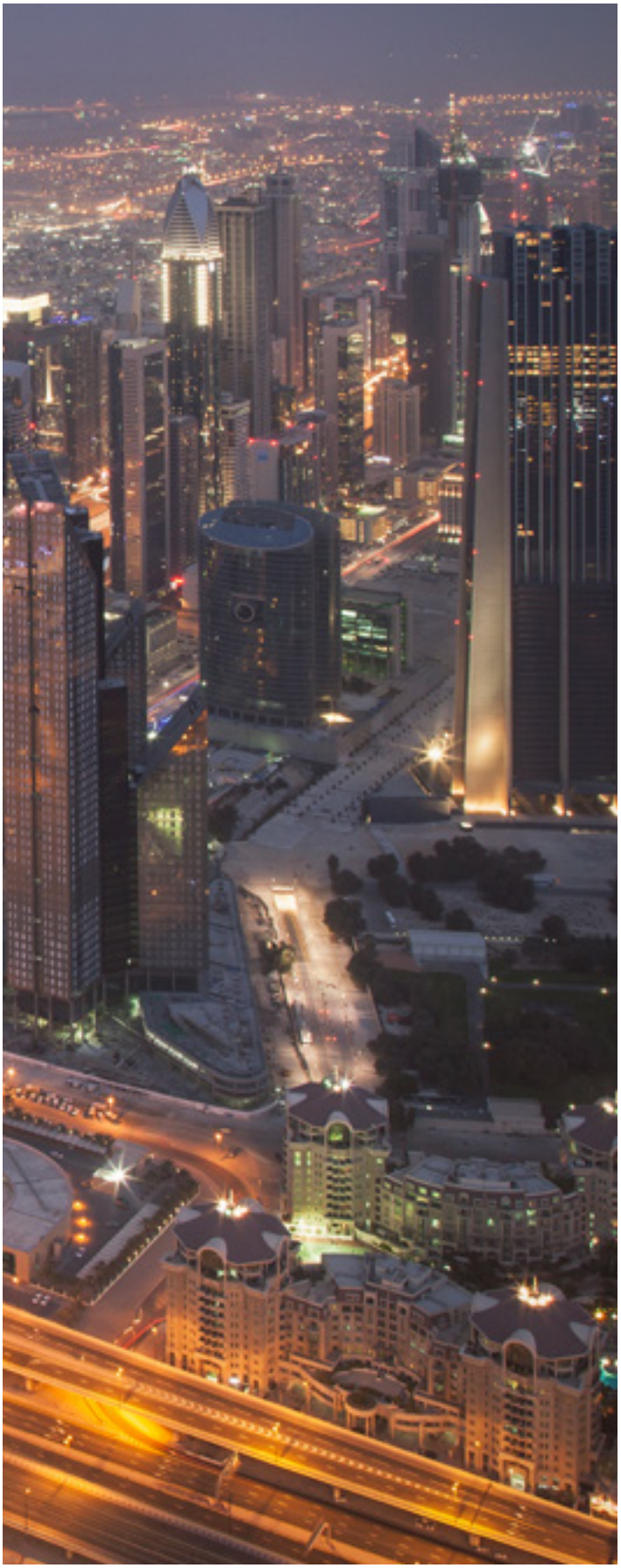
[16] SIFs can only raise capital from informed investors who are able to understand and assess the risks associated with investment in such a fund. Informed investors are:
- Institutional investors or professional investors

Other types of investor who have declared in writing that they are informed investors, and either of the following:
- Invest a minimum of €125,000; the CSSF has clarified that in the case of co-investment, each investor must invest the minimum amount
- Have an appraisal from a bank, an investment firm or a management company (all of these with a European passport) certifying that they have the appropriate expertise, experience and knowledge to adequately understand the investment made in the fund

Directors, and other persons who intervene in the management of the SIF are exempt from these requirements.

[17] Main corporate forms of investment companies are public limited company (S.A.), private limited liability company (S.à r.l.), partnership limited by shares (S.C.A.), special limited partnership (S.C.Sp.), and common limited partnership (S.C.S.).

[18] Idem.



Securitization vehicles

Securitization vehicles (SV) are vehicles which can acquire a wide range of assets or bear risks associated with commitments taken or activities carried out by third parties and, in exchange, issue securities whose return is directly linked to the risks associated with underlying assets.

Luxembourg's Securitization Law offers investors a very flexible regime for SVs, a high level of protection and legal certainty as well as a tax-neutral treatment in Luxembourg.

Under the Securitization Law, any tangible or intangible asset or activity with a reasonable ascertainable value or predictable future stream of revenue can be securitized. Securitization structures can range from traditional to the most innovative (e.g., such as simple repackaging, term transactions and commercial paper conduits).

Luxembourg SVs may be regulated by the CSSF, or unregulated where the SVs do not make more than three issuances of securities to the public during the year.

SVs can either be set up as corporate entities, or funds with no legal personality managed by a management company. These can be set up as single or multi-compartment vehicles; each compartment can issue several tranches of securities. The assets of each compartment can be segregated (the protected cell concept).

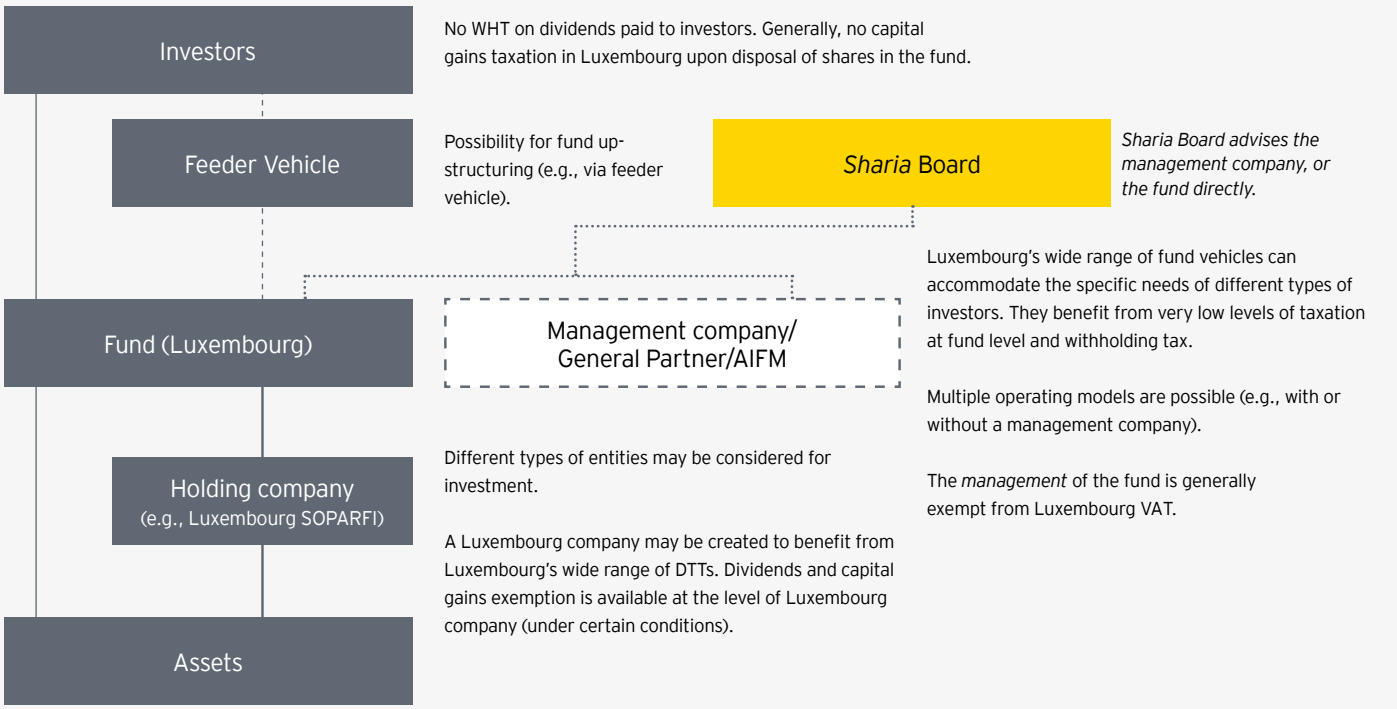
A single securitization vehicle can be established to carry out an entire securitization transaction, or separate SVs can be established, the first one acquiring the assets or bearing the risks, the second one issuing securities to the investors. Multiple layer securitization structures with two or more acquisition or issuing vehicles can be created to optimize the risk spreading.

A reference to the Securitization Law in the constitutional documents should be sufficient in order to enable the entity to benefit from the provisions of Luxembourg's securitization regime.

Luxembourg SVs have access to beneficial taxation regimes, which can be briefly summarized as follows:

- Securitization companies:
  - Are fully taxable companies subject to corporate income tax and municipal business tax; however, commitments (interest or dividend) towards investors and creditors qualify as tax deductible interest expenses even if they have not been actually paid out in a given year. Therefore, in practice, as most of its income is immediately repaid or committed to investors, the taxable basis of securitization companies is often close to zero
  - Benefit from net wealth tax exemption except for being liable to the minimum net worth tax (NWT)[19]
  - Are not subject to specific thin capitalization rules
  - May have access to existing DTTs on a case-by-case basis
  - Are subject to VAT
- Securitization funds are tax transparent entities which are exempt from any direct taxation in Luxembourg, including the annual subscription tax
- Management services provided to SVs are VAT exempt in practice
- Repatriation of proceeds to investors are free from Luxembourg withholding tax (WHT)

Due to the flexible and tax efficient securitization regime, a wide range of assets can be securitized and Luxembourg securitization vehicles can be used in several kinds of *Sharia*-compliant financial arrangements and contracts.



[19] See footnote No.12.

SOPARFIs – the financial holding vehicle

The most important of the unregulated structures is the Luxembourg SOPARFI[20].

SOPARFI is the name usually given to Luxembourg companies which, as their main corporate purpose, hold participations in other companies. The SOPARFI is not a specific vehicle or regime; like other Luxembourg companies, it is subject to the Law of 10 August 1915, as amended (the so-called Companies Law).

SOPARFIs play a central role in structuring of cross-border transactions.

SOPARFIs are fast and inexpensive to incorporate. They can be set up in any Luxembourg corporate form; the most common are the public limited company (S.A.) and the private limited liability company (S.à r.l.). They are not subject to risk spreading requirements nor are they restricted to any specific type of investments. Generally, there are no restrictions on the types of investors in SOPARFIs, so it can be used for both retail and institutional investors. However, SOPARFIs may also be organized in the form of a partnership (e.g., S.C.Sp.) in order to set up a fiscally transparent and non-regulated special purpose vehicle.

The SOPARFI will usually be a fiscally opaque corporate entity which is subject to ordinary income tax. It has access to Luxembourg's DTT network with currently of 83 DTTs, and benefits from the provisions of EU directives.

- SOPARFIs are fully taxable Luxembourg companies, subject to corporate income tax, municipal business tax and NWT, including the minimum NWT[21].

WHT may be levied on dividends distributed and, in certain cases, on interest paid by a SOPARFI on profit participating bonds and similar securities.

Provided certain conditions are met, SOPARFIs may have access to a degree of tax neutrality in accordance with European law , briefly summarized as follows:

- Dividends paid by and capital gains realized from direct subsidiaries of the SOPARFI may be exempt from corporate income tax and municipal business tax (i.e., participation exemption regime may apply). The exemption provided under the EU Parent-Subsidiary Directive, as amended, is denied for non-genuine arrangements that have been put in place in order to obtain a tax benefit without reflecting economic reality. The tax exemption on inbound dividends will not be granted to the extent such payments are deductible by the subsidiary of the parent company
- Interest expenses may be tax deductible, if the arm's length principle is respected and provided they are not linked to the financing of a tax-exempt asset, and within the limits of the interest limitation rules of the ATAD, where applicable
- Dividends paid by SOPARFIs may be exempt from Luxembourg withholding tax (in the context of SIFs, this may apply if the SIF is tax transparent and its partners qualify).
- Qualifying subsidiaries of the SOPARFI may be exempt from the SOPARFI's taxable basis for net worth tax purposes

[20] *Société de participations financières*
[21] See footnote No. 11.

Luxembourg's special limited partnership regime – S.C.Sp.

The Luxembourg AIFM Law provides a special type of limited partnership, the *special limited partnership* (S.C.Sp., also known as SLP), thereby enhancing Luxembourg's legal toolbox for structuring international alternative investments, and private equity and venture capital, via Luxembourg.

Leveraging upon the well-established English limited partnership regime, the Luxembourg S.C.Sp includes the following key provisions:

- The special limited partnership does not have legal personality
- It is governed by the limited partnership agreement, which may be drafted in a flexible manner in terms of among others, interests, governance, and distribution
- It may be managed by the general partner, but this is not a requirement
- It is available to regulated entities (e.g., SIF, SICAR), as well as non-regulated entities (e.g., SOPARFI), independently of whether they qualify as an AIF
- Information to be published in the trade register does not include information on limited partners
- It is tax efficient. The special limited partnership will be subject to a transparent tax regime, aligned to the regime applicable to limited partnerships (not subject to from corporate income tax and net wealth tax). It is also not subject to municipal business tax provided certain conditions are met

The AIFM Law also modernized the legal framework applicable to common limited partnerships (S.C.S), as well as making some technical adjustments to the well-established partnership limited by shares (S.C.A.) regime.

Luxembourg solutions for wealth management

Luxembourg is the largest wealth management center in the Eurozone. Luxembourg offers a highly attractive environment for private wealth management, combined with solutions for managing and structuring the wealth of high net worth individuals (HNWI) and families.

A number of Luxembourg banks have an established track record in offering *Sharia*-compliant financial services and setting up tailor-made *Sharia*-compliant investment structures for private clients.

Luxembourg wealth managers have the advantage of being multicultural, multilingual and familiar with international business, tax and regulatory environments. They also have access to complementary financial services in Luxembourg, including asset management, insurance and reinsurance.

Luxembourg provides a legal framework for family offices, and their activities. The regime for family offices complements Luxembourg's solutions for structuring the private wealth of HNWI and families, such as the private wealth management vehicle (the SPF[22]), the specialized investment fund (SIF[23]), and financial holding companies (SOPARFI[24]).

[22] See *The private wealth management vehicle hereafter.*
[23] See *Luxembourg investment vehicles and Sharia implementation.*
[24] Idem.

Family Offices

A family office is an entity which provides, on a professional basis, advice or estate services. These services are:

- Advice on the organization of an estate and estate planning
- Administrative and financial monitoring of an estate
- Management of the service providers to the estate, and the evaluation of their performance

Such advice or estate services must be provided to:

- Physical persons
- Families
- Estate entities (which belong to physical persons or families, or of which they are founders or beneficiaries)

Family office advice or estate services can be provided by Luxembourg banks, investment advisers, private portfolio managers, corporate domiciliation agents, professionals providing company formation and management services, lawyers, notaries, auditors and accountants.

However, the Law also creates a specific new category of professionals of the financial sector (PSF): Family Offices. Family offices are legal entities authorized to provide family office services even though they do not fall into one of the aforementioned categories of professionals or institutions entities.

The private wealth management vehicle

The Luxembourg private wealth management vehicle (SPF) is intended exclusively for the private wealth and asset management of individuals. The SPF benefits from a specific tax regime.

No regulatory constraints for individual patrimony

The SPF is not subject to regulatory supervision and restrictions.

The SPF may acquire, hold, manage and realize financial assets (e.g., shares and other securities, bonds and other debt instruments, derivative instruments, structured products, commodities) but is excluded from undertaking any commercial activity. The SPF can hold participations (even majority shareholdings) under the condition that it does not interfere in the management of its participations.

Investors may be individuals or patrimonial entities, acting exclusively within the framework of the management of the private wealth of individuals or intermediaries acting on behalf of such individuals or patrimonial entities (e.g., via fiduciary agreements).

Effective tax regime

The SPF is exempt from both Luxembourg corporate income tax and municipal business tax as well as from net worth tax. The SPF is, however, subject to a subscription tax at an annual rate of 0.25%, from a minimum annual amount of €100 up to a maximum of €125,000. The subscription tax basis is the sum of the paid-up capital, the share premium and the amount of the debt exceeding eight times the sum of the paid-up capital and share premium at 1 January.

Dividend distributions from an SPF to its shareholders are exempt from Luxembourg withholding tax. However, dividend or interest income arising from financial assets may be subject to withholding tax in the country of source, in accordance with domestic tax law of that country. Capital gains realized by non-resident shareholders upon the sale or liquidation of an SPF are not taxable in Luxembourg. There is also no WHT upon distribution of liquidation proceeds.

Until 31 December 2011, the favorable tax status for SPFs was lost for any year in which the vehicle received five percent or more of its dividend income from participations in unlisted and nonresident companies that were not subject to a tax similar to Luxembourg corporate income tax. Under the amended law, effective from 1 January 2012, this restriction is removed.

SPFs may not benefit from Luxembourg DTTs or the EU Parent-Subsidiary Directive.

Luxembourg solutions for *Sukuk* issuers

Luxembourg's legal framework is recognized as highly attractive to the issuers of *Sukuk*.

Sukuk are generally regarded as the *Sharia*-compliant of participation (like Musharaka, Mudaraba, etc.).

Luxembourg offers a variety of investment vehicles that may be considered suitable for the issuance of *Sukuk*. The Securitization Law has proved to be particularly beneficial for the creation of innovative *Sukuk* structures due to the nature of these instruments/contracts. The legal framework has proven its flexibility in *Sharia*-compliant transactions allowing in particular for the establishment of innovative *Sukuk* structures.

The Luxembourg Securitization Law also enables the establishment of *Sukuk* issuance platforms, with multiple market participants, both Islamic and conventional, becoming originators and issuing Islamic and traditional products.

In July 2014, the Luxembourg Parliament adopted a law on a sale and buy-back transaction of real estate assets necessary to issue a first sovereign Eurozone Islamic finance bond (*Sukuk*). The Law authorized the Luxembourg State to create an entity which should issue a *Sukuk*. The *Sukuk* issue should finance the transfer of buildings from the State to the newly created entity; the rental income from the buildings will constitute the profit paid to the *Sukuk* investors. The *Sukuk* are listed and admitted to trading on the European Multilateral Trading Facility (Euro MTF) market of the LuxSE.

21

Sukuk listed at LuxSE since 2002 with an aggregated value of €11b

In September 2014, the LuxSE listed and admitted to trading a *Sukuk* al-wakala structure, issued by a major US financial institution, which invests in *Sharia*-compliant commodities and comprises US$500m of trust certificates.

Also in September 2014, a US$500m *Sukuk* was issued by the Republic of South Africa at the LuxSE.

Today, the LuxSE is one of the most important in Europe for *Sukuk* listing. *Sukuk* issuers have a choice between two markets: a regulated market, designated as the "Bourse de Luxembourg," and the "Euro MTF". Securities may not be simultaneously admitted to the Bourse de Luxembourg and the Euro MTF.

The regulated market offers issuers a European passport. Issuers on the regulated market must comply with the requirements of the Prospectus Directive[25] and Transparency Directive[26], or benefit from an exemption. The CSSF is responsible for approving prospectuses under the Prospectus Directive. In January 2011, the CSSF issued a statement specifying certain rules applicable to *Sukuk* under the Prospectus Regulation[27]. As far as disclosure requirements are concerned, *Sukuk* may be treated as one of the following:

- Asset backed securities
- Guaranteed debt securities (if the payment of principal and the periodic distributions are independent from the performance of the underlying asset)

The Euro MTF market, on the other hand, was set up to meet the needs of issuers not requiring a European passport and does not meet the requirements of a regulated market. It is therefore outside the scope of the Prospectus and Transparency Directives.

The stock exchange is itself in charge of approving prospectuses for admission to the Euro MTF.

Regarding the tax treatment of *Sukuk*, a circular issued by the Luxembourg tax authorities in 2010 indicates that the tax authorities treat periodic payments made under the *Sukuk* in a manner similar to payments made under conventional bonds, i.e., as interest payments for Luxembourg tax purposes. As a result, payments on *Sukuk* are tax deductible at the level of the *Sukuk* issuer and in principle not subject to WHT in Luxembourg (unless paid by a Luxembourg Paying Agent directly to an individual resident in Luxembourg).

[25] Directive 2003/71/EC, as amended by Directive 2010/73/EU.
[26] Directive 2004/109/EC, as amended by Directive 2010/73/EU.
[27] Regulation (EC) No 809/2004.

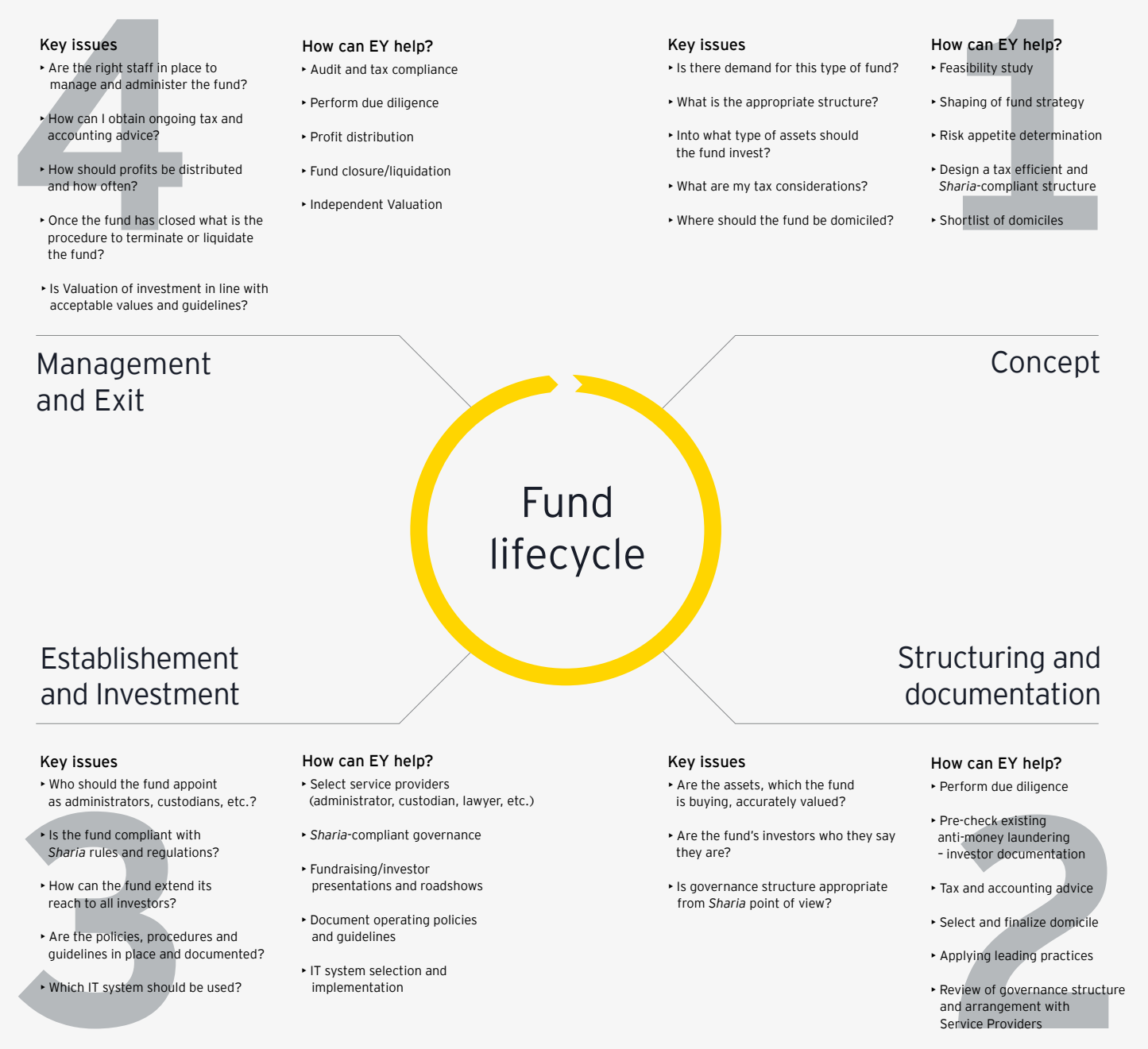
How can EY help?

In response to the tremendous growth in the Middle East and in Islamic finance , EY Luxembourg has created a dedicated group of professionals to cater for the specific needs of both Islamic and Middle Eastern clients.

Leveraging our deep involvement in the Middle East, EY offers leading solutions for our European clients who want to expand into the Middle East, as well as clients from the Middle East looking for expansion into Europe.

Our Middle East and Islamic finance service offering encompasses audit, accounting, tax and advisory services covering the whole spectrum of financial services (i.e., asset management, real estate, private equity, wealth management and insurance).

Our services are tailored to the lifecycle of a fund or an investment structure:



Credentials

EY Luxembourg plays a leading role in the development of Islamic finance in the Grand-Duchy of Luxembourg. Our professionals are in close and regular contact with major market players, as well as regulatory authorities and associations, contributing to the development of Luxembourg as a hub for *Sharia*-compliant products and structures and investment.

EY Luxembourg's Islamic finance group works closely together with the EY Global Islamic finance network including the Islamic financial services group.

Acting as subject matter professionals in the Middle East region, EY Luxembourg's Islamic financial services group has gained recognition, trust and confidence within the Islamic and Middle East business network.

EY Luxembourg

In Luxembourg, with over 1,340 professionals, we combine our European and global capability with our local knowledge to deliver a full range of services to meet our clients' business needs.

EY's unique structure enables our financial services practice to work effectively on a cross-border basis:

- Moving swiftly to bring together the best teams to serve our clients, working together on key issues, and leveraging our strengths, capabilities and knowledge irrespective of geographies
- Providing seamless, consistent, high-quality services to our financial services clients globally
- Responding quickly and effectively to market developments that impact our clients
- Providing our clients access to our European perspective on current and emerging trends, industry issues and regulation

EY plays an active role in all of the most important Luxembourg industry bodies some of which consult with the CSSF on a regular basis.

For example, the EY Luxembourg Wealth and Asset Management Leader is the Vice-Chairman of the ALFI executive Committee and Chairman of the promotion steering committee. The EY Luxembourg Private Equity Leader is Vice-Chairman of LEPA moreover the EY Luxembourg Real Estate Leader is a Member of the INREV Management Board and Co-Chairman of the ALFI Real Estate and the Investment Fund Committees as well as the Co-Chairman of ILA's Investment fund Task force working group.

Moreover, the EY Luxembourg Real Estate and Private Equity Leaders chair the relevant alternative investment fund working groups. EY is the market leader in AIFs in Luxembourg.

1,340+

professionals at EY Luxembourg

EY: a global market leader in Islamic finance

Since the foundation of the award-winning Islamic financial services group in the Kingdom of Bahrain, EY has played an active role in shaping the Islamic financial markets, creating a difference for our clients and the regulatory bodies. The Islamic financial services group is EY's group of experts who specialize in rendering Islamic financial services to participants of Islamic and conventional financial organizations. EY's Islamic financial services group, includes more than 100 professionals working in countries in the Middle East and Asia, Great Britain, Luxembourg and the Commonwealth of Independent States.

EY has consistently been recognized by our peers as a leader in Islamic finance advisory services, receiving awards such as:

2018

- *2018 Leader in Global Magic Quadrant for Data & Analytics Providers, Worldwide by Gartner, Inc.*
- *Telecoms, Media & Technology M&A Financial Advisor of the Year 2018, Mergermarket Middle East*

2017

- *MENA M&A Financial Advisor of the Year 2017, Mergermarket Middle East*
- *Middle East Regional M&A Financial Advisor of the Year, Mergermarket M&A Awards 2017*
- *Middle East Pharma, Medical & Biotech M&A, Financial Advisor of the Year, Mergermarket M&A Awards 2017*
- *Best Global Tax Services Provider 2017, Markets Arabian Business Excellence Awards*

2016

- *Best Tax Advisory Firm 2016, MEA Business Awards 2016, Egypt*
- *Best Management Consulting Firm 2016, MEA Business Awards 2016, UAE*
- *Best Tax Advisory Firm 2016, MEA Business Awards 2016, Egypt*
- *#1 for delivering business transformation in the GCC region - Global Research survey*

2015

- *Best Shari'a Advisory Services Firm Award, Islamic Business & Finance 2015 Awards, CPI Financial 2015*

2014

- *#1 accounting advice provider on transactions, Financial Times & Mergermarket European M&A Awards 2014*
- *Winners of the International Best Advisory Award - International Takaful Awards 2014*
- *Best Islamic advisory firm, 2014: Euromoney Islamic Banking Award*
- *Best Islamic advisory firm, 2014: 8th International Takaful summit 2014*

2017

Middle East Regional M&A Financial Advisor of the Year

Mergermarket M&A Awards 2017

Glossary

2010 Law on UCIs	Law of 17 December 2010 on undertakings for collective investment, as amended
€	EURO
AEOI	Automatic Exchange of Information
AIF	Alternative Investment Fund
AIFM Law	Law of 12 July 2013 on alternative investment fund managers, as amended
AIFM	Alternative Investment Fund Manager
AIFMD	Alternative Investment Fund Managers Directive
ALFI	Association of the Luxembourg Fund Industry
ATAD	Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market
b	Billion
BCL	Luxembourg Central Bank (*Banque Central du Luxembourg*)
BEPS	Base erosion and profit shifting
CbCR	Country by Country Reporting
Commercial Company Law	Law of 10 August 1915 on commercial companies, as amended (the Companies Law)
CRS	OECD standard for automatic exchange of financial account information (also known as common reporting standard)
CRS MCAA	Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information
CSSF	Luxembourg's commission for the supervision of the financial sector (*Commission de Surveillance du Secteur Financier*)
DAC 2	Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation
DAC 3	Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation
DAC 6	Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements
DTT	Double taxation treaty
EFSF	European Financial Stability Facility
ESMA	European Securities and Markets Authority
EU	European Union
EUSD	Council Directive 2014/48/EU of 24 March 2014 amending Directive 2003/48/EC on taxation of savings income in the form of interest payments (also known as European Savings Directive)
FATCA	Foreign Account Tax Compliance Act
FCP	Common fund (*Fonds commun de placement*)
FIAR	*Fond d'investissement alternative reserve* (Reserved alternative investment fund – RAIF)
GCC	Gulf Cooperation Council
GDP	Gross domestic product
GDPR	General Data Protection Regulation
HNWI	High net worth individuals
IFSB	Islamic Financial Service Board
IILM	International Islamic Liquidity Management Corporation
Ijara	Islamic lease
INREV	The European Association for Investors in Non-Listed Real Estate Vehicles
IOSCO	International Organization of Securities Commissions
LFF	*LuxembourgForFinance*, the agency for the development of the financial center
LuxSE	Luxembourg Stock Exchange (Bourse de Luxembourg)
m	Million
ManCo	Management company
MoU	Memoranda of understanding
MTF	Multilateral trading facility

Mudaraba	Islamic profit-sharing contract between General Partner/fund manager and limited partners/investors
Murabaha	A form of credit sale under *Sharia* – i.e., cost plus profit financing contract
Musharaka	Islamic partnership financing contract
NAV	Net asset value
NWT	Net worth tax
OECD	Organization for Economic Co-operation and Development
Parent-Subsidiary Directive	Directive 2003/123/EC on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States
Prospectus Directive 2003/71/EC	Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market
Prospectus Regulation	Commission regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements
PSF	Professionals of the financial sector
RAIF	Reserved alternative investment fund (*Fond d'investissement alternative reserve* – FIAR)
S. à R.L.	Private limited liability company (*Société à responsabilité limitée*)
S.A.	Public limited company (*Société anonyme*)
S.C.A.	Partnership limited by shares (*Société en commandite par actions*)
S.C.S.	Limited partnership (*Société en commandite simple*)
S.C.Sp.	Special limited partnership (*Société en commandite spécial*) - also known as SLP
Securitization Law	The Law of 22 March 2004 on securitization, as amended
Sharia	Islamic law governed by the Holy Quran (Text of God), *Sunnah* (words and acts of the Prophet), *Ijtihad* (Interpretation) and *Ijma'* (Consensus)
SICAR	Investment company in risk capital (*Société d'investissement en capital à risque*)
SICAR Law	The Law of 15 June 2004 on the investment company in risk capital, as amended
SICAF	Investment company with fixed capital (*Société d'investissement à capital*)
SICAV	Investment company with variable capital (*Société d'investissement à capital variable*)
SIF	Specialized investment fund
SIF Law	The Law of 13 February 2007 on specialized investment funds, as amended
SLP	Special limited partnership (*Société en commandite spécial*) - also known as S.C.Sp.
SOPARFI	Financial holding company (*Société de participations financiers*)
SPF	Family wealth management company (*Société de gestion de patrimoine familial*)
SPF Law	Law The Law of 11 May 2007 on the family wealth management company, as amended
SPV	Special purpose vehicles
Sukuk	Islamic financial certificate, similar to a bond in which risk and reward are linked to the underlying assets
SV	Securitization vehicle
t	Trillion
Takaful	Islamic insurance
Transparency Directive 2004/109/EC	Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market
UCI	Undertaking for collective investment
UCITS	Undertaking for collective investment in transferable securities
UN	United Nations
US$	United States Dollar
UV	Unitary value
VAT	Value added tax
WHT	Withholding tax

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