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Wealth Management dossier

THE LUXEMBOURG FAMILY OFFICE

Keeping an overview on internationalised assets that are subject to diverse legal and fiscal regulations and to complex inheritance rules has become a real challenge for the high-net-worth individual.

The need for professional assistance that goes beyond the traditional asset management industry is fueling the growth of the Family Office sector in Luxembourg.

As one of the few countries worldwide to adopt a law for family office activity, the Luxembourg financial centre is home to 85 companies regulated to carry out these services. LFF spoke with Frédéric Otto, CEO of the Arche Family Office, the first firm authorised under the Family Office Act, and Timothé Fuchs, CEO of the Fuchs Family Office, to find out what Luxembourg has to offer.

After the financial crisis in 2008, Frédéric Otto, then CEO of Banque Privée Edmond de Rothschild, witnessed a change in mood amongst his clients.

"The trust disappeared and people began to question the conflict of interest. How can a family office within a bank work only for the benefit of the client? So that opened something new to us and so myself and some other financial sector players went to talk to the the Luxembourg financial regulator, the Commission de Surveillance du Secteur Financier (CSSF) to explain that there was a new momentum to create a regulated multi-family office."

The result of that discussion was the Family Office Act which creates a legal framework for the activity of the family office and reserves the provision of these services to certain categories of regulated professionals. It is aimed uniquely at professional advice and services related to wealth management, estate planning and administration, the co-ordination of service providers and the follow-up or evaluation of their performance.

"Luxembourg is the only country with family office regulation in Europe. Does that attract clients? Yes it does. The new law regarding family offices has specific rules, one of them specifically is you can only be paid by the client, so there are no referral fees or commission," points out Frédéric Otto who subsequently left Rothschild to set up the Arche Family Office, a fast growing business in Luxembourg.

CREATING A FAMILY OFFICE HUB

With the number of companies regulated to carry out family office services in Luxembourg expected to reach one hundred in the coming year, the reputation of this new niche is growing.

"We work in the full and exclusive interest of the client so the trust between the family officer and client is extreme. What we offer is getting the best specialist needed for the client. It goes from the private equity business to real estate business, to custodian banks to asset managers, to tax lawyers, fiduciaries etc. We are able to challenge the fees, just like a big fund investment or pension fund. There are not too many countries that can provide such a diverse range of financial wealth management opportunities and all the services needed from the banks, fiduciary, tax lawyers, the Big Four, and fund investment professionals," explains Frédéric Otto.

Arche works predominantly with European clients from Portugal, Spain, France, Belgium and Switzerland. The office is also active in the Canadian market, where the company works closely with the Banque Nationale du Canada.

"A typical client for us is a European based entrepreneur who has sold his company for 100 million euros. What does he do with the money? How is he going to structure his wealth? We are there to help him develop and implement his strategy. In this respect Luxembourg is well placed because he has the choice of different international banks, different asset managers working in different international markets and we have all the resources he needs in terms of managing his wealth."