

Interview of Denise VOSS

Investment funds industry: shaping the future starts today

Conducting Officer of Franklin Templeton Investments, she has also been, for the past eighteen months, the chairman of ALFI. As the investment funds industry in Luxembourg is making its way through drastic changes, she is turning the industry's challenges into opportunities.

By Isadora PARDO – Partner – TechFin Luxembourg*

The investment funds industry in Luxembourg reaches a crossroads where new technologies are a key accelerator of changes. Meanwhile, the human factor remains central when it comes to funds governance and Directorship in particular. TechFin Luxembourg has conducted interviews with a number of Funds Directors and Conducting Officers of Luxembourg Management Companies, highlighting their unique qualities, work experiences and values.

Among them, we had the opportunity to ask the woman who is the current heart and soul of the Luxembourg Funds industry, Ms Denise Voss a number of questions: What makes Luxembourg a unique financial place that offers fantastic opportunities to whomever is eager to make a contribution? How are Luxembourg UCITS embracing the upcoming challenges, such as positioning themselves as a preferred vehicle for financing the retirement systems going forward, opening new markets for distribution and making the most of new technologies and digitalization? How should Luxembourg train the next generation of conducting officers to ensure continuing risk management and governance excellence in the future? Denise kindly accepted to share with us her experience and inner views on the industry.

Small country – great opportunities

Denise Voss arrived in Luxembourg 26 years ago. In 1990, having completed a Master Degree in Accountancy from the Bentley College and a Massachusetts C.P.A. license, she was working as a Certified Public Accountant with Coopers & Lybrand in Boston, MA. At that time, she volunteered for an exchange program between C&L Luxembourg and C&L Boston. "Looking back", Denise recalls, "it was funny as I exchanged with Marc Saluzzi. He came to Boston, I came to Luxembourg, originally for a few years. I quickly became attracted to Luxembourg, like many other people from abroad, for the quality of life and the international aspect of the financial sector in particular. As I met my partner here and we became a family, I stayed in Luxembourg and never left."

Fifteen year later, Denise succeeded Marc as Chairman of the Association for the Luxembourg Funds Industry ("ALFI"). "In my experience coming

to Luxembourg was a great way to work your way from the bottom up in the funds industry. I consider two main reasons for this: the first one is the opportunities that were available, to learn all aspects of the fund management processes that you need to, in my example, eventually become a conducting officer. The second reason is the intensive collaboration that has always been present between all players in the industry. Obviously, competition exists, but it is accompanied by a strong interest in working together. Asset Managers compete on the basis of performance, custodians compete on the basis of service level, etc. However, generally they all work together for the greater good of the market. We also benefit from the ongoing open dialogue that exists with the regulator. There is a sense of community that is really welcoming in the Luxembourg financial industry."

Denise considers the size of Luxembourg has been a true catalyst for making the Place a central hub for cross-border distribution. "When I arrived, the UCITS regulation dated back only two years (the UCITS Law of March 30, 1988). UCITS was very similar to the 1940 Act mutual fund law I was used to in the US, which makes perfect sense as both the EU and US versions were aimed at regulating investment vehicles for retail investors. Right away, large US based fund players saw in UCITS an opportunity to grow their business outside of the US, starting in Europe. Luxembourg, the first country to implement the Law locally, focused on cross-border distribution at an early stage, through intense government support in particular." Denise notices the specificity of Luxembourg, as compared to other countries in Europe: "Larger countries, having a bigger domestic market for funds, did not really focus on cross-border distribution, as Luxembourg and Ireland did. What appeared as a challenge to start with, turned into an opportunity."

Denise started working for Franklin Templeton Investments in 1995. Meanwhile, she became involved in the ALFI Working Groups early in her career, in 1997. Looking back, she considers this involvement has been a very positive way to develop career-wise. In 2007, she had the opportunity to join the Board of ALFI. William Lockwood, then Conducting Officer of Franklin Templeton Investment, who had been an ALFI Board Member for ten years, suggested she put herself forward, and she was elected to the Board. Since then, she has always shown a true involvement in the ALFI endeavors, working hard to support and enhance the central role of Luxembourg in the global Funds industry. "We see we are succeeding, as the Luxembourg UCITS has become a brand that people request, from all over the world. Still, we need to keep promoting the brand and our fund centre. In particular, we are working on opening new markets for UCITS, the most recent of which

being Australia, for which ALFI obtained a license exemption for Luxembourg based UCITS management companies distributing Luxembourg UCITS. This sophisticated market in terms of asset management represents a great opportunity for Luxembourg UCITS."

In 2015, Denise was elected chairman of ALFI by her fellow Board members – a fantastic opportunity for her.

Challenges ahead

As Denise became chairman of ALFI, she embraced the task without minimizing the challenges to address: "The investment funds industry in Luxembourg needs to adapt to macro challenges and become a key pillar of the retirement systems. With the greying of the population, UCITS funds have an opportunity to become an important part of individuals' retirement funding."

Denise's experience with Franklin Templeton has provided her with a solid foundation for engaging the market in this transition. She explained: "from the very beginning, the in-house transfer agent system had all these great functionalities for regular savings plan management. Why is this important? The current and upcoming generations will be more and more responsible with regards to saving and investing for their retirement and financial needs. Consequently, we need to be able to offer products, such as regular savings plans, to help individuals more easily save and invest to reach their financial goals. In a negative interest rate environment, investment funds are good vehicles for such long-term savings: compound interest work over time, especially if you start early. However, to enable this cultural change to attract retail investors to invest in funds to a larger extent, we need to work on three axes: having the right products, promoting investor education towards saving and investing, and making the best use of the technology and digital innovations. This last aspect combines both opportunities and challenges: digital technology puts pressure on companies and jobs as, along with the second EU Payment Directive, it opens competition to non financial service providers and will take away the banks' monopoly of financial services. In any case, financial institutions need to modernize their platforms, to attract the new generation. As is often the case, distributors and investors, along with new regulations, will be the trigger for deep changes in the industry. The recent generation of investors is used to 'do it yourself' and to switching providers for the best service. Digitalization of services is unavoidable to attract these investors."

Acting for change

Since her appointment as Chairman of ALFI, Denise has considered herself fortunate to be a key actor of this change. "As Franklin Templeton allowed me to take on the ALFI role, I am now able to combine both roles for the greater good of our industry." FTI has both a Luxembourg UCITS and an AIFM license. It also has investment management and distribution offices throughout the globe, including a large presence in Asia, an area where ALFI is active in promoting the Luxembourg UCITS and AIFMD brands. "Working day to day within a management company naturally helps me in my ALFI role to explain and answer any questions from foreign regulators and funds companies, on the role of management companies for cross border distribution!" Although the position is certainly demanding, Denise greatly enjoys every moment of it: "The ALFI team and infrastructure are top notch. Promoting the Luxembourg funds industry is a lot of fun. I am proud

to say that Luxembourg is the only funds center traveling around the world as much as we do to promote the industry globally!"

Changes take time, but Denise is positive the impact of digital will be felt in much less than ten years. "Within the ALFI 2020 Ambition and the corresponding FinTech working groups in place, a number of ALFI and non-ALFI initiatives and projects in Luxembourg have already completed the proof of concept phases. Look at the Funds DLT initiative for instance" (Distributed Ledger Technology or DLT is a blockchain-type distribution platform for funds distribution. The platform was launched in December 2016 and will be tested over the coming months. This platform will allow for reducing the elapsed time for processing a retail investment in a fund from a few days down to a couple of hours). "Changes take time and education. Still, Luxembourg is fortunate as the government is keen to make change happen, through support, promotion and funding."

"There is still a lot to do", acknowledges Denise. For the Luxembourg funds industry to remain a global fund centre of excellence, it is critical to look ahead, and consider what it takes to educate, attract and retain the talent and experts the industry will need. "What will jobs in the future look like? How can people be trained for these jobs? A conducting officer like me is responsible for overseeing all aspects of an investment fund. To successfully execute a role like this, both experience and exposure to many - if not all - aspects of fund management is needed. Even though working in the industry "from the ground up" is the perfect way to gather the skills required to be a conducting officer, the fact that many of these jobs aren't as available today (and will be transformed by digital technology) makes it harder for future generations to develop into the role. The question of how people will learn is a critical one to address." ALFI, through its contribution to various specific training programs for professionals in the funds industry, via the House of Training, etc., supports continuous education of industry players.

Recent studies have evidenced that diverse organizations are more successful, for diversity encourages people to learn from one another and give the most of themselves. Training is also a way to encourage diversity in the industry, and gender diversity in particular. "Personally, I have never had to struggle professionally as a woman. Nevertheless, women are often known to be more reluctant than men to take on jobs and new challenges where they do not fulfill, up front, all of the skills and requirements of the job. As a result, training women on digital technology topics so that they feel more comfortable raising their hand and undertaking technology-related projects, for instance, is really helpful. I support organizations, such as WomenInDigital.org, that provide such training, as it is a perfect complement to corporate diversity programs".

Getting the industry ready for today and tomorrow's challenges, from a technology, social, financial and regulatory standpoint, both locally and globally is not an easy duty. However, as ALFI keeps on electing as chairmen the best practitioners, having a deep knowledge of both the markets and the processes, addressing every new challenge with both professionalism and passion, the Luxembourg funds industry can only anticipate continuing excellence for the future and beyond.

* TechFin would like to thank Ms Denise Voss for her kind contribution to this interview.

Faire rimer fonds et communication

Par Jérôme BLOCH, CEO 360Crossmedia*

Les professionnels de la finance en général et ceux des fonds en particuliers communiquent au rythme des exigences imposées par le régulateur. Il est pourtant possible de dépasser ces obligations pour faire de la communication un véritable outil de développement du business. Explications.

Dialoguer avec les investisseurs

Acheter un fonds sera bientôt aussi facile que d'acheter une action. Dans ce contexte, les clients feront leur choix sur différents critères glanés auprès de sources multiples : leurs amis, leurs conseillers, internet et même facebook! Une confusion importante existe entre la communication obligatoire - via les KID notamment - et le dialogue qu'il est nécessaire d'établir avec les investisseurs, via des newsletters, la presse et les réseaux sociaux. Pour cela, il suffit de

programmer en début d'année les articles à produire, les auteurs et les contextes les plus pertinents, sans oublier de solliciter vos clients et d'apprendre à vos collègues à publier des messages impactants sur les réseaux sociaux en quelques secondes.

Une fois les contenus produits, la distribution sur une vaste série de canaux est un jeu d'enfant. En deux mots, les newsletters permettent de mesurer de façon très précise l'impact de chaque article, les réseaux sociaux sont capables d'amplifier la résonance en touchant les contacts de vos connexions et la presse apporte une caution rassurante pour les investisseurs frileux.

Le branding: pull vs push

Le temps où la grand-mère se laissait dicter ses choix par son conseiller financier sont révolus. Aujourd'hui, cette culture du "push", où l'expert "pousse" les décisions sur son client fait place à une culture du "pull", où le client s'appuie sur plusieurs sources - dont l'avis de l'expert - pour prendre sa décision tout seul.



«Dans le domaine des fonds, le fund raising se fait encore très souvent à l'ancienne.»

Facteur aggravant, les établissements financiers sont victimes d'un "bashing" régulier et doivent faire face à la défiance de la nouvelle génération. Dans ces conditions, l'établissement d'un branding passe par les étapes consultées par

les clients au moment de faire leur choix: un site internet ultra-clair, une page linkedin porteuse de messages appropriés, une page facebook laissant la parole à ses "amis". Même le design des cartes de visite ou des brochures papier et électro-

nique doivent être adaptées pour faire mouche auprès de clients bombardés par des propositions multiples.

Le fund raising

Dans le domaine des fonds, le fund raising se fait encore très souvent à l'ancienne. Cependant, le développement des techniques - notamment LinkedIn - permet une accélération du nombre de mise en contact, et d'augmenter la rapidité des échanges. Ces nouveaux outils sont également capables de fournir énormément d'informations pour cibler les investisseurs et éviter de contacter ceux qui ne sont pas concernés par votre fonds.

L'adage «Il faut lever des fonds quand on n'en a pas besoin», s'applique également à merveille, car pour boucler rapidement son fund raising, un fonds doit projeter une image dynamique et positive sur tous les canaux où l'investisseur potentiel va effectuer sa première due diligence. Un résultat que seule une communication régulière et planifiée peut fournir!