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# LuxFLAG Newsletter

*Ensuring peace of mind for microfinance investors*



## Dear Reader,

The first labels for the 2010 edition of the LuxFLAG microfinance labels have now been granted, and we are pleased to announce that one new label has been issued: the BlueOrchard Fund - Microfinance Fund for US investors. A total of 9 MIVs, with total assets

under management of approximately EUR 1.67 billion now hold the LuxFLAG label.

A number of new MIVs created in 2009 have also expressed strong interest, and have informed us that they expect to apply for the label as soon as they are invested and fulfil LuxFLAG's eligibility criteria. Candidate MIVs for the label may submit their application throughout the year, and a further round of labels is expected for September 2010.

Although the financial crisis appears up to now to have had a relatively mitigated impact on the microfinance sector, it has nevertheless had an impact on MIVs. Most visible is the increase in liquidity, resulting from prudent lending policies both at the level of the MIVs and the microfinance institutions (MFIs) in which they invest. Cash and cash equivalents held by the labelled MIVs have risen significantly compared to previous years.

The applications submitted in 2010 have also allowed us to gather information for the first

time on social performance management by the labelled MIVs. LuxFLAG's new social criterion which was introduced in 2010 will become mandatory as from 2011.

First indications on the application of the "double bottom line" principle reveal that social impact is now actively thought by all the labelled MIVs, although the indicators sustaining the social dimension and the tools used for measurement of a social impact differ. What matters most is that results are being achieved and that the increased transparency promoted by LuxFLAG will lead to improvement in the standards of disclosure of the trends and measures of social reporting.

LuxFLAG's goal in granting the microfinance label is to make it easier for international investors to add new collective savings to the sector and thereby help to do more to alleviate poverty. There is a common misconception that the label is only available to MIVs established in Luxembourg, and we hope to dispel that myth by granting the label to a foreign entity in the very near future. Our criteria, while remaining strict, were broadened for 2010 to give readier access by MIVs of all jurisdictions to the label.

We hope that you enjoy reading this third edition of the LuxFLAG newsletter, and look forward to receiving your comments.

*Daniel Dax,  
General Manager  
LuxFLAG*

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## LuxFLAG: Contributions from Associate Members

### Banque et Caisse d'Épargne de l'Etat (BCEE)

Arising out of its public institution status, the BCEE has developed for over 150 years its role and its identity of a socially and economically responsible entity. Thus, the BCEE has been one of the first companies to join the European and National initiatives for Corporate Social Responsibility (CSR). These initiatives include the "Charter for Socially Responsible Companies"<sup>1</sup> of the European Group of Savings Banks and "Terms of Business for Social Responsibility and Sustainable Development"<sup>2</sup> signed by the major companies in Luxembourg. Through its well developed network branches, its promotion of school savings, its social lendings, its financing of large corporations, SMEs, local and parastatal collectivities, the BCEE is highly engaged in the social and economic development of the country.

Since 1996, the BCEE, in partnership with Etika asbl, offers alternative savings accounts fulfilling the criteria of transparency, solidarity and responsibility. Through renouncing at a part of its remuneration, the client's money enables the BCEE together with Etika to finance environmental and social oriented projects at bonus rates. The recent financial crisis and the customers wish for an ethical and transparent finance have promoted the growth of such type of savings. Over 700 united investors have financed over 140 environmental and social projects.

<sup>1</sup> "Charte d'Entreprise socialement responsable"

<sup>2</sup> "Charte d'Entreprises pour la responsabilité sociale et le développement durable"



Being aware of the pressing problems related to climate change, the BCEE has always supported the efforts of its shareholder, the Luxembourg State, to reduce CO2 emissions by offering low-interest loans to finance environmental projects in constructions and also for vehicles with

low CO2 emissions (range ECOPRÊT). In order to limit its own environmental impact, the BCEE has implemented a set of actions and projects to increase the energy efficiency of its existing and future buildings and its IT activities. In 2009 the local IT community attributed to the BCEE the award of "Socially responsible ICT Initiative of the Year".

Encouraging social activities and supporting its main shareholder in its efforts to promote the financial development of microfinance funds and other SRI funds, the BCEE joined the launch of the fund "The Luxembourg Microfinance and Development Fund". The intention of the fund's promoters is to apply for the LuxFLAG microfinance labeling. In becoming "associate member" of LuxFLAG, the BCEE intends to contribute to the development of the microfinance and of the labeling agency. In addition, the BCEE actively supports the efforts of LuxFLAG to expand the label LuxFLAG to other SRI funds. Indeed, there is a real need among the retail customer to use a trustmark in its investments.

*Paolo Vinciarelli, Deputy Director*

### Crédit Suisse Asset Management Fund Service Luxembourg (CSAMFS)

#### Credit Suisse and its link between social investors and Microfinance Institutions

Credit Suisse is engaged in microfinance nearly for a decade. It was one of the first financial institutions in Switzerland to recognize the potential of micro-credits, co-founding the company responsAbility Social Investments AG which is today one of the world's leading social investment companies.

On the private banking side, our microfinance team based in Zurich guides our clients towards the achievement of their social goals by offering a series of innovative solutions, including investment in microfinance investment vehicles (MIVs). Credit Suisse launched, together with the partner firm responsAbility, a first MIV in 2003, the Global Microfinance Fund (rAGMF) which shows



a volume of about EUR 350 mio. in early 2010. Today, Credit Suisse offers three microfinance investment funds as well a private equity fund which provides investors a direct stake in microfinance companies and institutions.

Besides the microfinance engagement in the private banking, Credit Suisse developed a high expertise as a fund administrator and custodian bank of MIVs over the last years. In terms of microfinance, Credit Suisse Asset Management Fund Service (Luxembourg) S.A. (CSAMFS) assisted with the launch of the first microfinance fund for retail investors, initially registered for public offering in Luxembourg and subsequently approved in 2005 by the Swiss supervisory authority for public offering in Switzerland. In the meantime, CSAMFS has supported the launch of several microfinance

funds, structured as Part II funds, SICARs or SIFs. It has built up a dedicated microfinance team to strengthen its position within this niche market and is currently one of the most sophisticated service providers in the area of microfinance.

The realm of microfinance and social responsible investments is relatively young and evolving rapidly. This offers new opportunities for innovative fund solutions and service providers. Credit Suisse is strengthening its expertise and engagement in both roles by continuously reviewing its strategy and adapting accordingly in order to maintain a leadership position in this niche market.










*Alain Thilmany*  
Vice President  
(Product Management)

## LuxFLAG: Labelled MIVs' Corner

LuxFLAG is pleased to publish the list of MIVs that have successfully renewed their application in April 2010 and to welcome a new MIV: the BlueOrchard Fund - Microfinance Fund for US investors, which is a feeder fund of the Dexia Micro-Credit Fund. The investment objective of this MIV is to contribute, directly or indirectly, to the financing of MFIs and social enterprises all over the world. It intends to reach that objective by investing in other investment vehicles (UCI's, special vehicle purposes ("SVP"), etc.) which invest themselves in debt and equity of MFIs or social enterprises.

A total of 9 MIVs, with total assets under management of EUR 1.67 billion now hold the LuxFLAG label.

A number of new MIVs have also expressed their interest in applying for the LuxFLAG Microfinance Label as soon as they are invested and fulfil LuxFLAG's eligibility criteria. Candidate MIVs may submit their application throughout the year. For further details on the 9 labelled MIVs and on the application process please visit LuxFLAG's website at [www.luxflag.org](http://www.luxflag.org).

Fund/Sub-Fund	Legal Status	Total Assets	Microfinance Portfolio	Val. as of
 Advans SA	SICAR	15.3	9.5	Sept 2009
 BlueOrchard Fund – Microfinance Fund for US	SICAV - SIF	1.0	1.0	Dec. 2009
 Dexia Micro-Credit Fund – BlueOrchard Debt Sub-Fund	SICAV - Part II	382.0	289.8	Feb 2010
 Dual Return Fund SICAV – Vision Microfinance Sub-Fund	SICAV - Part II	84.3	70.2	March 2010
 European Fund for Southeast Europe	SICAV - SIF	583.0	299.0	Dec. 2009
 responsAbility Global Microfinance Fund	FCP – Part II	363.7	250.3	March 2010
 responsAbility SICAV (Lux) Microfinance Leaders	SICAV - Part II	105.4	91.0	March 2010
 responsAbility SICAV (Lux) Mikrofinanz-Fonds	SICAV - Part II	104.3	76.5	March 2010
 Rural Impulse Fund	SICAV - SIF	28.2	25.0	March 2010
<b>Total</b>		<b>1667.2</b>	<b>1112.3</b>	

Source: Symbiotics data in EUR Millions

## *LuxFLAG: first feedback on the new social criterion*

Over the last years, the Microfinance industry has clearly intensified its reflections on the measurement of the "social impact" of MFIs and the assessment of the "social performance" of MIVs. In its continuous willingness to monitor, and if necessary to adapt to the new developments of the industry, LuxFLAG decided to add a new social criterion to its existing criteria for the Microfinance Label. This criterion was tested in 2010 and will become mandatory to obtain the Label in 2011.

By integrating this new criterion, LuxFLAG recognises that the MIVs must pursue a "double bottom line" objective and aims to encourage transparency on social performance. It is however worth mentioning that this criterion does not

aim to guarantee the accuracy or reliability of the reporting on social performance nor of the social performance indicators used by the MIVs.

In the applications submitted in March this year, LuxFLAG tested this new social criterion. Although the indicators used and the measurement tools differ, a first analysis has revealed that all the labelled MIVs have started to take some concrete steps to demonstrate their willingness to achieve a "double bottom line".

Throughout 2010, LuxFLAG plans to undertake a fine tuning exercise in order to come up with a standard questionnaire on "social performance". This questionnaire should enable a comparative analysis of the labelled MIVs and will be integrated to the application forms in 2011.

## *LuxFLAG welcomes LFF as a new charter member as of January 2010*

*1. Mr Grulms, why was it important for Luxembourg For Finance (LFF) to become a Charter Member of LuxFLAG?*

The Luxembourg Government has clearly expressed its willingness to diversify the activities of the financial centre by supporting the development of Responsible Finance and this of course includes support for the development of Microfinance. Luxembourg For Finance (LFF) is a public-private partnership between the Luxembourg Government and the Luxembourg Financial Industry Federation (PROFIL) which means that the objectives mentioned above naturally fall under LFF's objectives. LFF therefore felt that it would be the right time to show its moral and financial support to LuxFLAG.

*2. How does Luxembourg For Finance (LFF) plan to help LuxFLAG?*

LFF plans to help LuxFLAG in many different ways. Enhancing the image of the financial centre outside Luxembourg is one of the core activities of LFF and the organisation of road shows all over the world plays a central role in that. This could certainly be of benefit to LuxFLAG, by helping to spread recognition of the label. LFF is also well equipped in terms of communication tools and I am confident that our communication team will

offer its full support in that regard. LuxFLAG is planning to launch a new Label and we hope that our expertise and technical support in terms of communication and marketing will be instrumental in spreading the message.



*3. As CEO of LFF & a Board Member of LuxFLAG how do you see your role?*

As the agency for the development of the financial sector, LFF should be aware of activities and initiatives in the sector. From banks to insurance and investment funds, we strive to get a 360° picture of existing players and this enables us to put things into perspective. My main role as a new Board Member of LuxFLAG would therefore be to help LuxFLAG in finding the right positioning and create synergies with other actors in the field. As mentioned above, I also believe that my role will be to provide guidance to LuxFLAG in finding the right approach in terms of communication, marketing and branding.

*Fernand Grulms,  
CEO of Luxembourg for Finance*

## LuxFLAG: New Developments

### New Associate Member

LuxFLAG is pleased to further expand its list of Associate Members with Allen & Overy, which is one of the largest legal practices in Luxembourg. LuxFLAG's Associate Membership is constantly growing and counts now 26 Members. For more information on LuxFLAG's associate members or to become a member please visit the LuxFLAG's website:

[www.luxflag.org](http://www.luxflag.org)

### New Website

LuxFLAG is pleased to announce that as part of its on-going efforts to raise its profile, the agency has undertaken a refurbishment of its website. In line with the new corporate identity of the agency, LuxFLAG's website is designed to be more user-friendly and will regularly be updated to keep you posted on the new development and activities of the agency. Go and visit our new website at

[www.luxflag.org](http://www.luxflag.org)

## ALFI's Microfinance conference in association with LuxFLAG

The second edition of ALFI's Microfinance conference, in association with LuxFLAG was held on 25 March 2010 at the Chamber of Commerce of Luxembourg and gathered more than 150 experts from a variety of field.

His Excellency Mr Luc Frieden, Minister of Finance of the Luxembourg Government, gave the introductory speech. Subsequently, speakers recognized for their expertise shared the results of their most recent analysis. The quality of the debates helped identifying the possible drifts of Microfinance and the stakes that each actor of the

The presence of HRH the Grand Duchess Maria Teresa, Honorary President of LuxFLAG, in the afternoon was another fitting illustration of the commitment of Luxembourg to support the Microfinance sector.

Given the success of the conference, ALFI and LuxFLAG are thinking of making this event a recurrent item on their respective agenda.



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Microfinance industry will have to face in a near future. Debates also enabled to outline some areas for improvement in order to foster "Responsible Microfinance". The conference also highlighted the industry efforts made by Luxembourg to become one of the most attractive centre for the domiciliation of Microfinance Investment vehicles (MIVs).



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## LuxFLAG: Working Groups

### ALFI sub-committee on the extension of LuxFLAG's product offer

In December 2009, the Board of Directors of LuxFLAG gave its agreement in principle to develop an "SRI Label" targeting funds investing in the

sector of renewable energies. The objective of this new Label will be to assess the policies, processes and procedures of the fund in order to make sure that its actions are in line with its declarations. A specific working group mainly made of auditors is currently trying to develop an audit framework to that end.

## LuxFLAG: Networking

LuxFLAG hosted a workshop session on "Social performance of MIVs" at the European Microfinance Week conference on 26 November 2009. For more information please visit the European Microfinance Platform's website at [www.e-mfp.eu](http://www.e-mfp.eu).

LuxFLAG hold a panel at the ALFI "Sustainable and Responsible Investments" conference, held on 9 February 2010 at the Chambre of Commerce, Luxembourg. This event gave LuxFLAG the opportunity to announce its intention of creating a new Label for SRI funds investing the renewable energy/climate change sector.

LuxFLAG attended the official presentation of the "Luxembourg Microfinance and Development Fund" on 11th March 2010.

ALFI, in association with LuxFLAG, has organised a major Microfinance conference on 25 March 2010 at the Chamber of Commerce of Luxembourg. The event gathered more than 150 experts from a variety of field. On that day, Kenneth Hay, Chairman of LuxFLAG announced the integration of a new social criterion to the existing criteria for the Microfinance Label.



**LUXFLAG**  
microfinance

Luxembourg Fund Labelling Agency (LuxFLAG)  
Luxembourg House of Finance  
59, boulevard Royal | L-2429 Luxembourg  
T: +352 22 30 26-1 | [info@luxflag.org](mailto:info@luxflag.org)

To subscribe to the LuxFLAG newsletter please visit our website at  
[www.luxflag.org](http://www.luxflag.org)