

MAGENTA WIRE



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Knowledge is power, data is money

Data is now a high value asset. New products and ideas are emerging each week. These trends match Luxembourg's expertise in finance, and not just regarding data secrecy.

NEW OPPORTUNITIES FOR FINANCE

According to the Financial Times, the average person's online data profile retails for less than a dollar. Not much? Well multiply that by the 1bn people on Facebook, 300m on Skype and 33m sales of Grand Theft Auto V.

The opportunities this presents were explored at the latest Linklaters "Magenta Horizons" discussion at the Philharmonie on 6 February, featuring a panel of experts from Linklaters Luxembourg. The theme was "Technology challenging Finance how Luxembourg can support two winners." Ten years ago, Luxembourg's low VAT was the main attraction for e-commerce firms. It no longer is.

As Olivier Reisch, a Linklaters managing associate pointed out, growing data-security paranoia is calmed by the country's track record with professional secrecy. He also mentioned the world-class infrastructure here: ultra-fast internet links and 16% of the world's top-range Tier IV data centres. All backed up with experienced, multilingual staff and service providers. IT and communications now represents nearly 7% of national income.

DATA AS AN ASSET CLASS?

But Luxembourg can do more. "If we see data as an asset, could we



imagine a fund of data?" asked Nicolas Gauzès, a corporate partner with Linklaters. For example, this could involve packaging unstructured data for sale to marketers. Not only would the Grand Duchy keep this information safe, but it knows how to create and sell financial products. Also, more mobile computing means increased use of the cloud. The capacity, flexibility and security

of Luxembourg's infrastructure meet these demands.

TREAD CAREFULLY

Financial firms' social media presence also raises questions. Patrick Geortay, a banking and capital markets partner, pointed to the challenge. "Can a fund include the marketing message and communicate the associated risks in just 140 characters?" he asked. Also, does this amount

to a public offer, what about prospectuses, AML...? Bitcoin shows the wild-west nature of much of the online world. Luxembourg already hosts "civilised" businesses such as Paypal, Yapital and Digicash but where could this go next? Excitement is justified but Linklaters warned against over-exuberance. They offered tulips to conference goers; a gentle reminder of 17th century tulip mania.

The Evolving TMT Sector in Luxembourg

The fast-moving Telecommunications, Media and Technology (TMT) sector is rapidly changing, and with it so too are its leaders. An increasingly booming industry, its ever-evolving nature makes it a dynamic and exciting place to be.

TMT: A SECTOR OF CHANGE

TMT is a constantly adapting sector that is at its core defined by rapid development and fresh ideas, fuelling growth in telecommunications, media and technology. Lately, e-commerce, mobile platforms, and ICT industries have come to the fore, pushing the sector further forward. Its global customer base teamed with an embedded "think outside the box" nature makes TMT the natural birth-place of innovative business models and alternative approaches. Its very identity continues to propel its growth, mirroring the trends that it houses.

COUNTRY OF GROWTH

TMT has found a natural home in Luxembourg, which has welcomed and nurtured it. The business-friendly country's international reputation combined with an abundance of qualified specialists has ensured that the sector continues to thrive, spurred on by a favourable tax regime and flexible legislation. Luxembourg is on the front-line of developments, as the new wave of technology, particularly within mobile, e-commerce and cloud computing, emerges. However, with this dawn of industry development comes a renewed need for support in navigating this changeable environment. ▶▶

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SPEAKERS

PATRICK GEORTAY

Partner, Capital Markets and Banking

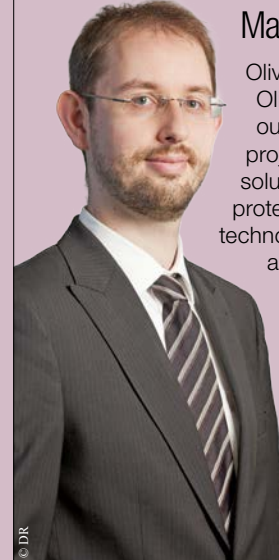
Patrick has been a partner of the De Bandt – Loesch legacy firm and then in Linklaters' Luxembourg office since 2001. He heads the capital markets and banking group of the office. Patrick Geortay specialises in banking matters, structured finance and asset finance/securitisation. Patrick is a member of several advisory committees to Luxembourg authorities. He is also widely recognised for his expertise in AML, regulatory issues and R&I matters.



NICOLAS GAUZÈS

Partner, Corporate M&A

Nicolas is a partner in the corporate mainstream group of Linklaters Luxembourg. He joined in 2001 after working in the Equity Capital Markets-Origination team of a French bank. He specialises in general company law, private equity transactions (upstream and downstream), mergers and acquisitions, joint ventures, group restructurings and equity capital market. Nicolas notably advises on listings of Luxembourg entities and special purpose acquisition companies.



OLIVIER REISCH,

Managing Associate, IP/TMT

Olivier joined Linklaters Luxembourg in 2004. Olivier's experience in IP/TMT ranges from outsourcing, offshoring and insourcing projects to e-commerce and e-payment solutions, regulatory compliance, data protection compliance, due diligence on technology and telecommunication companies, advice on copyright, trademark and patent laws, and handling complex IP/TMT related litigation. Over the years, Olivier has also handled a number of challenging litigation matters in relation to the financial sector, regulatory compliance and environmental laws and has acquired real estate expertise with a number of transactional deals and real estate related litigation matters.

“There is a growing divide between the need for more transparency and the legitimate need to continue to protect privacy and personal data.”

Patrick Geortay, Partner, Capital Markets and Banking

“Data is becoming a value of its own and both data protection and professional secrecy are being changed.”

Nicolas Gauzès, Partner, Corporate M&A

“The Evolving TMT Sector in Luxembourg” – continued

►► MULTI-DISCIPLINARY SOLUTIONS

The evolving nature of TMT requires a cutting edge approach to key issues such as regulation, data protection and consultancy. This is where Linklaters comes in. Linklaters’ expert Luxembourg team charts these waters drawing upon multi-faceted global expertise and an inherent understanding of the sector. Its team of specialists covers a range of areas from complex litigation to regulatory matters and e-payment solutions. They deliver fast-paced solutions to fast-paced clients, which include Microsoft Corporation, Yapital, Rakuten, Inc., and the Luxembourg Stock Exchange. With a solid understanding of the sector, the award-winning firm is matching it with a cross-practice TMT group dedicated to delivering sound guidance in this field from the international hub of Luxembourg.



Technology and finance: Luxembourg can support two winners

An interview with Freddy Brausch, Managing Partner, Linklaters Luxembourg.

What is the Magenta Horizons event?

It provides a platform for experts, including from the wider Linklaters network, to meet and discuss important industry topics. This is the fourth time we have held the event. Previously, we focused on the BRICS (1st conference), the Middle East (2nd conference) and the Internationalisation of the RMB (3rd conference). This year we chose finance and technology as we believe Luxembourg can support these two winners. For us, this evening is a link between an up-and-coming technology sector and our traditionally strong financial sector, even if the latter is currently subject to a number of challenges. The question is, whether those two sectors are in competition or if they can be complementary.

How is the TMT sector evolving?

Our daily lives have been changed by technology. For example, online hotel bookings increased by over 10% in 2013 and now account for nearly 40% of all bookings. In business, technology has also taken a dominant, ever present role, as can be seen by the metamorphosis of social media into an important business tool as well as an aspect of private life. Professional networks such as LinkedIn are now used heavily and few predicted the rise of Twitter, which now has the ability to damage and enhance business reputations.

What is the Luxembourg Government doing to capture the TMT opportunity?

The Luxembourg government has identified this changing environment as an opportunity for the country to diversify, often using experience gained in the



Freddy Brausch

financial sector. Already now, the Grand Duchy is well equipped to confront the new challenges of a world dominated by innovative technologies. The IT and telecommunications industries already play a substantial role. There are more than 14,000 people working in these businesses, generating an annual turnover of €5bn which represents nearly 7% of GDP. For many years there has been a programme of major

investment to build state-of-the-art data centres and high-speed internet connections. The result of these efforts is highly secure and reliable ICT infrastructure. The country now hosts more than 16% of the world’s most advanced data centres, giving it a competitive edge over other European countries. In short, this is an ideal hub location, with fast connectivity to other cities across the continent.

GUEST SPEAKER

Joe Garner: Solving crises with new leadership

It’s midnight. You are CEO of one of the UK’s largest retail banks. Your website has been down for six hours due to an on-going cyber attack. Panic could ensue if customers can’t move money and the media start raging. One hundred of your top people are on the line waiting for your decision. What do you do next?

WHAT WOULD YOU DO?

This was the real life situation faced by Joe Garner, ex-CEO of HSBC UK (and since 10 February, the CEO of **Openreach**, a British Telecom subsidiary) during the **evening, night and morning of 18/19 October 2012**. Step by step, he took the 250 guests at the Magenta

Horizons conference through the crisis. The crisis began **at 6pm** when the CIO called to say all sites were down across the world, adding “normally this is easy to fix.” “So” Mr Garner asked the audience “what would you do?” Leaving these thoughts hanging, he then presented his ideas on the changing nature of business leadership. Good CEOs create a virtuous circle of motivated employees generating customer loyalty and thus growth, which boosts staff morale further. This model will come under pressure, he said. Growth will be harder to achieve as competition increases. Also, prices will rise as resources become scarce and climate change costs are borne.

Now **it’s 8pm**. The cyber attack is 500 times bigger than any seen by HSBC. There is some tweeting but mainstream media is quiet. Mr Garner decides to wait for more developments. What would you do?

THE CUSTOMER REALLY IS KING

Customers are no longer loyal towards brands. Google gives them instant, full market knowledge and they want good value and compensation if things go wrong. “This means selling as we knew it is over,” he said. “Any sales involving pressure no longer work.” **It’s 10pm**. There’s not much more information and the media are still relatively quiet but now Mr

Garner is considering asking all call-centre staff to return from holiday and sick leave. Of course, this action might in itself set off a panic. **At midnight**, he decides to call staff in. He then begins practising his media routine centred around the message “we are doing everything we can”. Fortunately, **at 4.15am** the IT guys finally repel the attack and restore service.

ALLOW STAFF TO GROW

“Treating your staff with humanity and respect liberates their energy and creativity,” advised Mr Garner. This, he believes, gives people the tools and strength to react independently when times get tough.



MAGENTA WIRE



- Magenta Horizons has been Linklaters’ Thought Leadership event series since 2011
- 250 guests attended the conference on 6 February 2014
- Linklaters has been active in Luxembourg for 116 years
- Most Innovative European Law Firm (FT Innovative Lawyers Awards 2013)

www.linklaters.com

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