

# The Irish Qualifying Investor Fund (QIF)

*For the past twenty years Ireland has been a leading regulated domicile and global servicing centre for internationally distributed investment funds, dealing with a wide spectrum of fund structures from traditional 'long only' funds to more complex structures.*

*International fund promoters are attracted to Ireland due to its open, transparent and well regulated investment environment, its strong emphasis on investor protection, its efficient tax structure and dynamic and innovative business culture. In addition to UCITS, the European retail passportable fund product, Ireland offers a range of non-UCITS regulated funds that provide greater flexibility for investors, such as the Qualifying Investor Fund.*

## **What is a Qualifying Investor Fund?**

The Qualifying Investor Fund (QIF) is a regulated, specialist investment fund targeted at sophisticated and institutional investors, who must meet minimum subscription and financial resources requirements. The main advantage of the QIF is the removal of the Financial Regulator's general conditions relating to investment policies and borrowing, thereby enabling sophisticated investors to use this structure for a wide range of investment purposes. The QIF is the preferred structure used in the regulated alternative investment sphere.

## Why choose the Irish QIF?

### **1 Flexibility**

As the Financial Regulator's usual requirements regarding leverage and diversification do not apply to the QIF, the range of eligible assets for the QIF is very flexible, making it an ideal product for structuring many different types of funds such as:

- Alternative Investment Funds, including Hedge Funds and Fund of Funds
- Sovereign Wealth Funds
- Property / Real Estate Funds
- Venture Capital / Private Equity Funds
- Emerging Markets Funds
- Infrastructure Funds
- Capital Protected or Guaranteed Funds
- Single Country or Regional Funds

### **2 No Investment Restrictions**

- There are no investment restrictions imposed by the Financial Regulator (or by the Irish Stock Exchange if the fund is listed on the ISE).
- The Financial Regulator does not impose diversification requirements but a QIF established as an investment company must comply with the aim of risk spreading as per the requirements of Part XIII of the Companies Act 1990.
- A QIF may invest up to 100% of its assets in unregulated schemes subject to a maximum of 50% in any one unregulated scheme. Investment in underlying schemes is not permitted if this would affect a scheme's ability to provide normal redemption facilities to investors.

### **3 Fast Track Authorisation**

Since February 2007, QIFs can be authorised by the Financial Regulator within 24 hours of receipt of completed documentation by the Financial Regulator subject to the following prerequisites:

- Service providers to the fund (promoter, investment manager, directors, trustee/custodian and administrator) must already be approved by the Financial Regulator
- Confirmation must be supplied regarding compliance with the authorisation criteria
- An application must be filed no later than 3pm on the day before the proposed date of authorisation.

### **4 Tax Efficient**

- Irish investment funds are exempt from Irish tax on their income and gains, irrespective of where their investors are resident.
- No withholding taxes apply on income distributions on redemption payments made by a QIF to non-Irish resident investors.
- Depending on the tax status of a QIF investor in their home jurisdiction (for example, a tax exempt pension fund) a QIF can also be structured as a tax transparent vehicle resulting in the retention of the tax benefits (e.g. reduced withholding taxes) enjoyed by investors through direct ownership.
- A QIF may also hold investments through Special Purpose Vehicles, to improve tax efficiencies.

### **5 Regulated and Recognised Jurisdiction**

Ireland is a member of the EU, Eurozone, OECD and FATF and complies with international standards in financial services regulation. Ireland has not been included on any international list of tax havens (e.g. OECD/G20) and the regulatory environment in Ireland is often seen as leading international 'best practice'. Ireland provides for independent, regulated administration and trustee/custodian functions.

### **6 Expertise in servicing Alternative Investments**

Ireland is the largest hedge fund administration centre in the world, servicing an estimated EUR 799 billion as of December 2008. With over 3,000 employees engaged solely in the administration of alternative investments, Ireland has accumulated significant expertise in the servicing of complex financial instruments over the past decade.

## Regulatory Framework

QIFs form part of the Non UCITS regulatory regime in Ireland, which affords these funds greater flexibility than would be permitted under UCITS, the European retail fund product. The rules governing QIFs are set out in the Financial Regulator's Non UCITS Notice NU 24. A QIF may be established as one of the following legal structures:

- Investment Company
- Unit Trust
- Investment Limited Partnership
- Common Contractual Fund

QIFs are most commonly established as investment companies or unit trusts.

## Key Regulatory Requirements

- The management company, fund administrator and trustee/custodian must be located in Ireland. At least two of the Directors of the management company must be Irish resident.
- The time between submission of a redemption request and payment of settlement proceeds usually must not exceed 90 days.
- QIFs are permitted to use a prime broker and there is no limit on the extent to which assets may be passed to a prime broker.
- QIFs set up as investment companies or limited partnerships are no longer required to prepare semi-annual accounts. Interim accounts are still currently required for listed funds and QIFs established as unit trusts or CCFs. Audited annual accounts must be sent to the Financial Regulator and made available to shareholders within 4 months of year end.

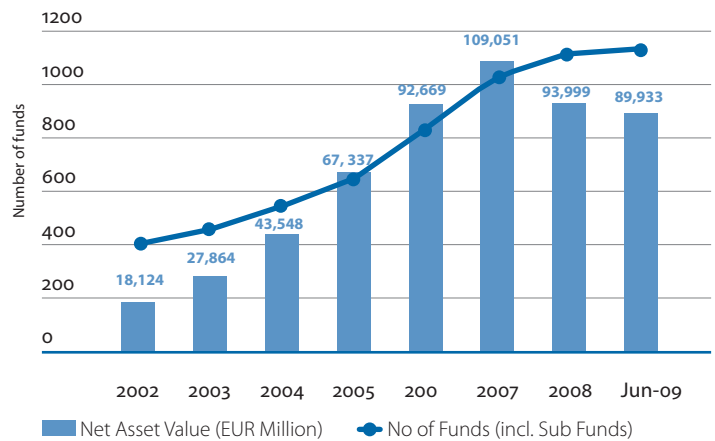
## Promoter and Fund Approval

In order to launch a QIF, the fund promoter and investment manager (who can be based outside of Ireland) must first be approved by the Irish Financial Regulator. This involves submission of material setting out the applicant's level and depth of experience and their financial and regulatory status. The application process can take between six to eight weeks but the timeframe can depend on how quickly the Irish authorities obtain responses to due diligence inquiries. Under a fast track promoter approval process, a promoter can be approved in as little as a week.

Authorisation of the QIF itself can occur in parallel with the approval of the promoter and manager/investment advisor. If these entities are already approved, a QIF can be approved within 24 hours.

## QIFs – Net Asset Value (EUR Million)

☞ Number of funds (incl. sub funds)



Source: Central Bank of Ireland and Financial Regulator

## Minimum Subscription and Investor Requirements

- To qualify as a QIF, a fund must have a minimum initial subscription requirement of EUR 250,000 per investor, or equivalent in other currencies.
- A QIF can only be marketed to qualifying investors, defined as:
  - a. Any natural person with a minimum net worth (which excludes main residence and household goods) in excess of €1,250,000 or
  - b. an institution (a) which owns or invests on a discretionary basis at least EUR 25 million or its equivalent in other currencies or (b) the beneficial owners of which are qualifying investors in their own right.

## Key documentation required

- Application form to the Financial Regulator (a simplified application form for QIFs has been issued by the Financial Regulator)
- Prospectus or Offering Memorandum
- Memorandum & Articles of Association/Trust Deed or CCF Deed
- Material contracts to be entered into by the fund, which will include some or all of the following:
  - Investment Management / Advisory Agreement
  - Custody / Administration Agreement
  - Prime Brokerage Agreement
  - Distribution Agreement