

Luxembourg to Introduce New Form of Alternative Investment Fund (RAIF)

The Luxembourg government has published on its website its intention to introduce a new form of **alternative investment fund called “reserved alternative investment funds”** (*fonds d’investissements alternatifs réservés*) that the market expects to be available by mid-2016.

The draft legislation foresees a vehicle that is **not subject to the oversight of the CSSF**, but that would benefit from the structuring flexibility available to collective investment funds, SIFs, and SICARs. Nevertheless, the reserved alternative investment fund does **require management by a licensed alternative investment fund manager** (whether in Luxembourg or elsewhere), and would benefit from all the advantages of an EU passport. As is the case for SIFs and SICARs, **only well-informed investors would be eligible to invest** in the reserved alternative investment fund, namely, institutional investors, professional investors, and those investing at least EUR 125,000.

The market also expects the new vehicle to have the following characteristics, subject to any final modifications prior to its adoption into law:

- The reserved alternative investment fund may take any legal form;
- It may have a variable capital structure;
- There are no restrictions on eligible assets or investment policies;
- It should be subject to principles of risk diversification unless its investment policy is limited to risk capital;
- Multiple compartments and share classes would be permitted;
- The vehicle would enjoy flexibility regarding subscription, redemption, and distribution of profits;

- The vehicle would be subject only to an annual subscription tax of 0.01% of net asset value (and would not be subject to corporation tax).

The new vehicle is likely to be attractive to investors willing to forego the additional protection provided by the double licensing regime (at the product level and at the AIFM level) in order to improve time to market and reduce the supplemental costs that such regulation involves. The Luxembourg Government sees the new vehicle as increasing the competitiveness of Luxembourg as a financial center.

Please find hereafter the link (in French) to the Luxembourg Government web site:

<http://www.gouvernement.lu/5469715/27-conseil-gouvernement>



For more information, please contact:

Christophe Clément | Partner
clement@cc-law.lu | +352 2837 1004 40

Jens Konrad | Partner
konrad@cc-law.lu | +352 2837 1004 41

Theodore J. Fisher | Of Counsel
fisher@cc-law.lu | +352 2837 1004 42

www.cc-law.lu