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Ireland as an International Funds Domicile

Introduction and Background

Ireland is widely recognised as one of the world's most advantageous jurisdictions in which to establish investment funds. A wide range of tax-efficient fund vehicles with many different characteristics can be established in Ireland under a number of different legal structures. Different levels of regulation apply to retail and qualifying investor funds and the Central Bank of Ireland (the "**Central Bank**") has worked closely with the funds industry to tailor its regulations to accommodate a diverse range of investment products with different structural features.

Principal Advantages of Ireland as a Funds Domicile

Ireland is internationally recognised as a leading fund domicile of choice because:

- Ireland has a pragmatic regulatory environment governed by an approachable Central Bank which is sensitive to the needs of international fund managers and service providers and is willing to discuss and, where possible, work through any issues.
- Ireland is a member state of the EU, an OECD member state, a member of the Economic and Monetary Union and was the only international funds centre to appear on the original OECD white list of countries that are in compliance with internationally agreed tax standards. Following the June 2016 vote in the United Kingdom to withdraw from the EU, Ireland has reaffirmed its commitment to its membership of the EU and retains its important position as an English speaking gateway to one of the wold's largest markets.
- Ireland has a range of fund vehicles which can be tailored to suit investor requirements and which can be used to access our continuously expanding tax treaty network (which at present includes over 72 countries).
- Ireland has unrivalled speed to market: the vast majority of alternative investment funds can avail of the Central Bank's 24 hour authorisation process.
- Ireland provides the most favourable and effective tax environment for investment funds: unlike other jurisdictions, no fund tax is payable, no Irish taxes are imposed on income or gains made by non-Irish resident / ordinarily resident investors, no stamp duty is levied on fund units and there is no annual subscription tax for funds. There are some specific rules for property funds.
- The Irish Stock Exchange is widely regarded as one of the leading exchanges in the world for the listing of investment funds.
- Having been the first regulated jurisdiction to provide a regulatory framework specifically for the alternative investment fund industry, Ireland is at the forefront of product innovation, providing opportunities and solutions for this sector.

Ireland's position as a leading funds domicile is demonstrated by the fact that:

- 71% of global investment managers surveyed chose Ireland as a top 3 European domicile – more than 25% more than its closest rivals (Economist Intelligence Unit Survey on Choosing a European Fund Domicile 2014)
- 841 fund promoters and 463 fund managers from over 50 countries use Ireland to distribute UCITS and other funds to over 70 countries across the globe.
- Ireland is home to almost 56% of European ETF assets, significantly more than its nearest rival domicile at 17%.
- 40% of the world's alternative investments fund assets are administered in Ireland.
- Ireland has the largest number of stock exchange listed investment funds in the world.

- Ireland provides unrivalled experience and expertise and Irish service providers are recognised for their professionalism, responsiveness and flexibility.

Regulatory Framework

Irish domiciled funds are authorised and regulated by the Central Bank. The regulatory framework is divided between UCITS and non-UCITS alternative investment funds ("**AIFs**").

- The UCITS regulatory regime covers open ended investment vehicles investing in transferable securities and other liquid financial assets which are open to retail investors. Restrictions apply to the UCITS' investment and borrowing policies and to their use of financial derivative instruments. UCITS have the advantage that they can be sold without any material restriction to any category or number of investors in any EU Member State, subject to certain filing requirements.

- AIFs offer greater flexibility with respect to investment styles and restrictions. AIFs may be established as retail investor AIFs ("**RIAIFs**") or qualifying investor AIFs ("**QIAIFs**"). RIAIFs are subject to general investment diversification and borrowing restrictions whereas QIAIFs are subject only to minimal investment restrictions and are not subject to any leverage restrictions. RIAIFs and QIAIFs managed by authorised alternative investment fund managers ("**AIFMs**") can market throughout Europe to professional investors on a passported basis.

Fund Vehicles

There are several legal forms available for the establishment of an investment fund in Ireland which may be used for UCITS and AIFs.

- The **Irish Collective Asset-management Vehicle (ICAV)** is a corporate fund structure introduced in March 2015. The ICAV is registered (incorporated) with the Central Bank and provides a tailor-made fund vehicle available to both UCITS and AIFs. One of the primary advantages of the ICAV is that it can elect its classification under the US check-the-box taxation rules. The ICAV has its own legislative regime and therefore avoids those aspects of company law legislation that would not be relevant to a collective investment scheme. An ICAV is not required to spread risk, facilitating a broader range of investments strategies for QIAIFs established as ICAVs. The ICAV offers a range of potential benefits which reduce costs for ICAV investors, including the ability to dispense with the requirement to hold an annual general meeting, to prepare separate accounts at sub-fund level and to make changes to its constitutional document without prior investor approval once the ICAV's depositary certifies that the changes do not prejudice investors' interests and the Central Bank has not otherwise mandated that the change is of a type that must be approved by the members. The constitutional document of an ICAV is the instrument of incorporation.

- A **unit trust** is created by a trust deed entered into between a trustee and a management company. A unit trust is a contractual arrangement and is not a separate legal entity, with the result that a unit trust does not have power to enter into contracts in its own name and the management company or trustee enters into contracts on its behalf. The trustee is registered as the legal owner of the assets on behalf of the investors, who receive units representing beneficial interests in the assets of the unit trust.

- **Other Vehicles** may be used for Irish funds, such as: (a) investment companies or plcs (a corporate structure similar in many respects to an ICAV but without its own legislative regime and subject to the requirement to spread investment risk); (b) a common contractual fund (an unincorporated body established by a management company pursuant to which the investors, through contractual arrangements, participate and share in the assets of the fund as co-owners); or (c) for non-UCITS only, an investment limited partnership (an unincorporated entity created by contract between the general partners and one or more investors who participate as limited partners).

Fund Structures

Each of the above structures may be subject to further variations to better suit the investment policy or distribution intentions of a fund's promoter or investment manager. For example, a fund may be structured as a separate, stand-alone fund or as an umbrella fund, with multiple, legally segregated sub-funds. All funds can be structured with different share / unit classes to accommodate different currency denominations, distribution policies, charging structures or hedging arrangements. Funds can also be established as feeder funds, funds of funds, exchange traded funds or constant NAV money market funds, amongst others. In addition, QIAIFs can appoint prime brokers and the assets passed to such prime brokers may be pledged, lent, re-hypothecated or otherwise utilised by the prime broker for its own purpose.

Central Bank Approval

The Central Bank must be satisfied with the experience, expertise, reputation and resources of the investment manager responsible for investing the assets of the fund. The Central Bank's approval process for investment managers takes between three and five weeks (a same day approval process applies where the investment manager has a MiFID authorisation). In addition, all directors of Irish domiciled investment companies must be pre-approved by the Central Bank; this approval process takes typically one to two weeks.

For UCITS and RIAIFs, Central Bank authorisation for the fund itself generally issues within six weeks of filing advanced draft documents. For QIAIFs, authorisation is granted on the day following the filing of completed, final documentation and there is no prior approval process.

Further Information

This briefing note provides a broad overview of Ireland as an international funds domicile. Please visit our website at www.matheson.com for briefing notes covering specific elements of this note in further detail and for our more detailed brochure, Ireland as an International Funds Domicile.

Full details of the Asset Management and Investment Funds Group, together with further updates, articles and briefing notes written by members of the Asset Management and Investment Funds team can be accessed at www.matheson.com.

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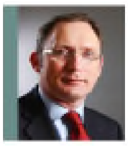

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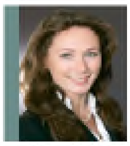

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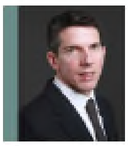

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