

KEY FACTS FUND SERVICES – RAIF

LUXEMBOURG'S RAIF, INTRODUCED IN JULY 2016, IS AN INVESTMENT VEHICLE THAT OFFERS LEGAL STRUCTURING AND INVESTMENT FLEXIBILITY AND QUICK TIME TO MARKET, AS WELL AS NO REQUIREMENT FOR CSSF APPROVAL OR SUPERVISION, BUT WITH THE AIFMD REGIME'S INVESTOR PROTECTIONS. COMBINING MANY OF THE CHARACTERISTICS OF THE SIF AND SICAR REGIMES, THE RAIF ADDS TO THE RANGE OF ATTRACTIVE FUND STRUCTURING OPTIONS THAT LUXEMBOURG IS ABLE TO OFFER.

LUXEMBOURG RESERVED ALTERNATIVE INVESTMENT FUND (RAIF)

A RAIF can only be managed by an authorized external AIFM, domiciled in Luxembourg or another EU member state (or outside the EU subject to third-country management passport rules), and is therefore indirectly supervised by the competent supervisory authority of its AIFM and able to make use of the AIFM passport for marketing to EU professional investors on a cross-border basis. In addition, the RAIF may accommodate any type of investment strategy and asset class and allows the creation of fully segregated compartments through the use of an umbrella structure.

BENEFITS OF USING A RAIF

- > Short time to market
- > No prior approval or supervision by the CSSF
- > Cost competitive
- > Unregulated vehicle managed by an authorised AIFM
- > Investor protection ensured by full compliance with the AIFMD regime
- > Benefits from the AIFM marketing passport and may be used to raise capital across the EU
- > Attractive and flexible tax regime
- > RAIFs may be structured as an umbrella vehicle with ring-fenced compartments
- > Suitable for a wide range of uses – no restrictions on eligible assets or investment strategies
- > Legal structuring flexibility – may be set up as a partnership, in a contractual form or as a corporate entity

MAIN FEATURES OF A RAIF

No CSSF Supervision

- > RAIFs can be launched without the prior authorisation of the CSSF and are not subject to its ongoing supervision, significantly reducing the time to market
- > Indirect supervision is ensured as the RAIF must be managed and monitored by an authorised AIFM subject to supervision by its competent authority

Eligibility Requirements

- > The RAIF regime is available for funds that: (i) qualify as an AIF within the meaning of AIFMD; (ii) are managed by an authorised AIFM; (iii) comply with the risk-spreading principle, unless they invest exclusively in risk capital; (iv) reserve their securities or partnership interests only for well-informed investors; (v) provide in the constitutive documents that they are subject to the provisions of the RAIF Law.
- > The RAIF regime is not available to (i) AIFs managed by a registered AIFM or (ii) internally managed AIFs.

Managed by an Authorised AIFM

- > The RAIF regime is reserved for AIFs that are managed by an external authorised AIFM that may be domiciled in Luxembourg or in another EU member state or, subject to third-country management passport rules, by a third-country authorised AIFM.
- > The AIFM must ensure that the RAIF is fully compliant with AIFMD requirements.

Access to AIFM Marketing Passport

- > As it is fully compliant with AIFMD, a RAIF can make use of the AIFM passport for marketing to EU professional investors on a cross-border basis.

Service Providers

- > RAIFs need to entrust the custody and safekeeping of the fund assets to a depositary based in Luxembourg and appointed in accordance with AIFMD requirements.
- > The annual accounts of RAIFs must be audited by an independent statutory auditor (réviseur d'entreprise agréé).
- > The central administration of a RAIF needs to be located in Luxembourg.

Legal Structuring Flexibility

- > RAIFs may be set up either as a common fund in a contractual form (FCP) or as an investment company with variable/fixed capital (SICAV/SICAF) structured under any of the legal forms provided for in the Luxembourg Company Law:
 - > public limited company (société anonyme – SA)
 - > private limited company (société à responsabilité limitée - S.à.r.l.)
 - > cooperative company organised as a public limited company (société coopérative organisée comme une SA – SCOSA)
 - > corporate partnership limited by shares (société en commandite par actions - SCA)
 - > common limited partnership (société en commandite simple – SCS)
 - > special limited partnership (société en commandite spéciale – SCSp)
- > Regardless of the legal form adopted, a notary needs to record the incorporation or establishment of RAIFs in a notarial deed which has to be filed with Luxembourg Trade and Companies Register for publication. An official list of RAIFs is also maintained by the Luxembourg Trade and Companies Register.
- > RAIFs may be structured as an umbrella vehicle with ring-fenced compartments and may be closed-ended or open-ended.

Investment Strategy

- > There are no restrictions with respect to the assets in which a RAIF may invest and the investment policies that a RAIF may implement.
- > RAIFs are subject to the risk diversification rules. A RAIF may not invest more than 30% of its assets or commitments in securities of the same type issued by the same issuer, unless they restrict the investment policy to investments exclusively in risk capital and have opted for the special tax regime.

Attractive and Flexible Tax Regime

- > Two tax regimes are available for RAIFs:
 - > RAIFs are by default subject to the same tax regime as SIFs, if they respect the risk diversification rules applicable to SIFs. In this case a RAIF is only subject to an annual subscription tax of 0.01% of its net assets, with various exemptions available.
 - > RAIFs may opt to apply the SICAR tax regime if the investment policy is restricted to investments in risk capital. If they opt for this regime, RAIFs are not subject to the annual subscription tax.

HOW WE CAN HELP

Our professional multilingual team in Luxembourg is regulated as a Professional of the Financial Sector under the supervision of the CSSF and is able to assist with all aspects of the establishment and administration of Luxembourg investment fund vehicles, including RAIFs.

The team is experienced in a wide range of investment types including hedge funds, private equity, venture capital, real estate, fund of funds and securitisation.

Trident Fund Services is the dedicated fund administration division of the Trident Trust Group, providing high quality, cost-effective and independent back-office administration services for hedge funds and private equity funds from offices in 10 fund domiciles worldwide (BVI, Bahamas, Cayman, Guernsey, Jersey, Luxembourg, Malta, Mauritius, Singapore and United States). With more than 35 years' experience as a leading provider of administration services to the global financial services sector, Trident Fund Services today works with more than 400 alternative investment funds, with assets under administration in excess of \$30 billion.

To discuss how we may assist you please contact:

Matthijs Visscher, Director, Fund Services

+352 26 30 28 48

mvisscher@tridenttrust.com

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