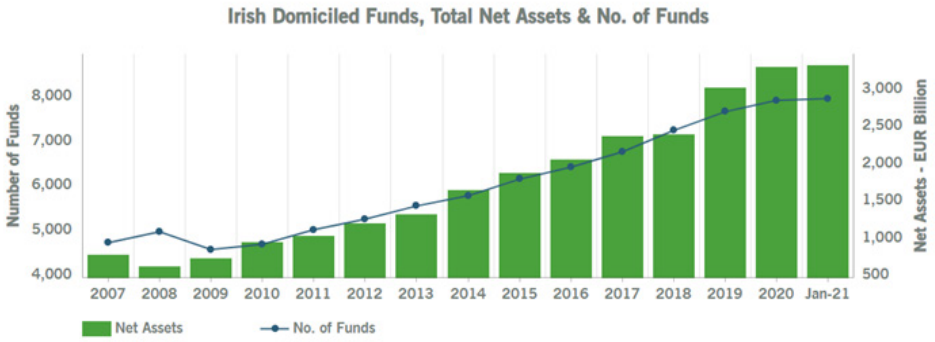
Investment Limited Partnership - Ireland's emerging fund structure for the future

The Irish fund industry has been growing rapidly over the last decade. Irish funds' total assets have grown to over €3 trillion and are spread across approximately 8,000 funds of which €794bn (23.5%) represents alternative investment funds. The country already serves more than 40 % of the world's alternative investment funds with an established and advanced fund services ecosystem.



(Source: Irish Domiciled Funds | Irish Funds)

Recent changes to Irish Investment Limited Partnership (ILP) legislation are expected to support further expansion. Global financial centers such as Singapore, Hong Kong and Luxembourg recently established similar investment structures to increase the attractiveness of their locations. In the last few years, Luxembourg in particular has been driving legislation and structuring of fund products to create a more attractive European fund domicile for pri-

vate equity funds, credit, infrastructure and other real assets strategies. However, the changes now adopted to the ILP imply that Ireland can now offer an attractive, efficient and fit-for-purpose alternative to the Luxembourg Société en Commandite (SCS).

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The ILP is a regulated Irish fund structure supervised by the Central Bank of Ireland. An ILP is transparent for purposes of Irish income tax and capital gains tax under applicable law. The ILP structure is established by contract and must have at least one general partner and also limited partners. The general partner of the ILP must establish and actively maintain a register of beneficial ownership of the ILP. In addition, ILPs can be established as open-end or closed-end funds. It is important to note that this structure is available for alternative investment funds only and is therefore particularly well suited for private equity and real estate structures. Distribution can take place via AIFM passport. In terms of cross-border distribution of fund products, Ireland is the market leader alongside Luxembourg.

In order to meet the demand of investors for a general partnership / limited partnership structure, far-reaching changes have been introduced to the legislation. Ireland now finds itself on par with the leading international fund centers as a result of the new framework, and at the same time has introduced further measures to ensure closer alignment with national and EU legislation, such as the Alternative Investment Fund Managers Directive (AIFMD):

- „safe harbor" rules were introduced. These allow limited partnerships to participate in all bodies of the ILP (e.g. an investment committee), to vote on amendments to the partnership agreement and to carry out certain activities while maintaining the status as a limited partnership.
- An amendment to the partnership agreement no longer requires the consent of all investors. Now, only the consent (with reference to the investors' contributions) of a majority of the investors is sufficient for this purpose.
- Furthermore, the liability conditions have been harmonized with the standards of other Irish regulated investment funds. Accordingly, limited partners shall not participate in the management of the operations of the partnership and shall not be liable for criminal offences committed in the course of the management of the partnership.
- It allows for closed-ended QIAIFs to create differentiated share classes. The fund can issue shares or other interests at a price other than the net asset value without prior Central Bank approval. The Act allows the use of excuse provisions (which enable an investor to be excused from an investment that the fund proposes to make) and exclude provisions (which permits the fund to exclude an investor from a proposed investment

that the fund proposes to make).

- The Act permits new investors to invest in the fund at a later stage in its lifecycle (stage investing).
- Facilitated regulations for the replacement of a general partnership have been adopted. This includes the creation of a statutory vesting event by which all assets and liabilities can be transferred from the withdrawing general partner to the entering or remaining general partner.
- The option to establish an ILP as an umbrella fund with multiple sub-funds, whose assets and liabilities are legally segregated and separate, has also been implemented. The umbrella structure is attractive because it allows separate strategies or investor types to be accommodated in different sub-funds of the same umbrella rather than having to establish stand-alone partnerships for each.
- The modified ILP may apply for a dual foreign name. This allows an ILP operating in a non-English speaking jurisdiction (e.g., Chinese) to obtain official recognition of a translated name.
- The Re-domiciliation of partnerships from other jurisdictions is permitted.

Ireland has always enjoyed a high reputation among international investors. With the amendment of the Irish ILP, a very significant alternative for institutional investors has been created. The new company model offers an expedient and efficient product solution especially for private equity and other asset classes requiring a fiscally transparent fund vehicle. The amended legislation provides a regulatory environment that is sustainable for the future. This will make Ireland an even more attractive location for funds.

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