



Reserved Alternative Investment Fund

For investments of any colour

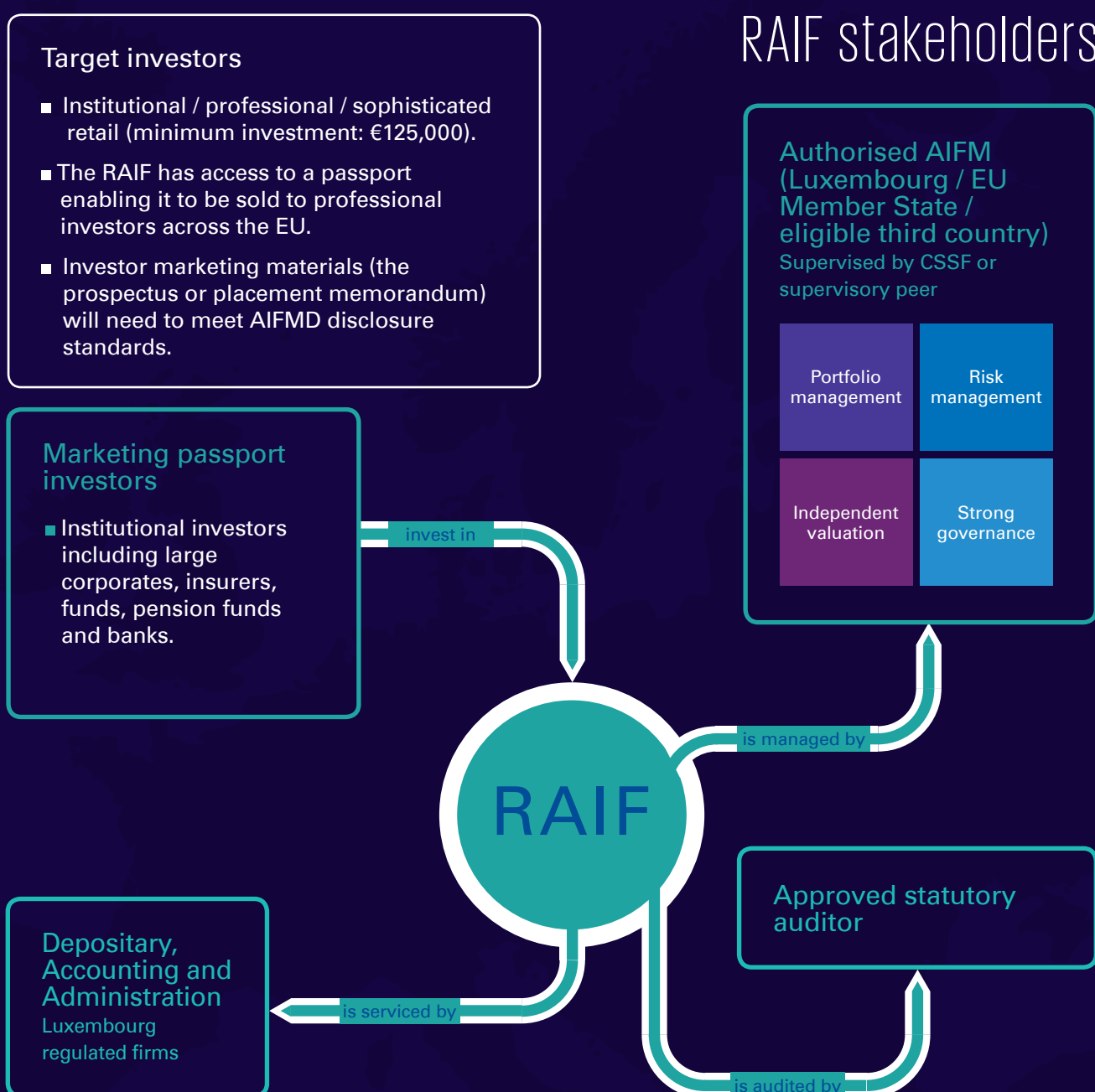


The Reserved Alternative Investment Fund (RAIF), is the latest investment vehicle available in the alternative investments space in Luxembourg.

The Alternative Investment Fund Manager Directive (AIFMD) has introduced a shift in the regulatory focus away from the fund and towards the manager. The RAIF sits well in this regulatory environment as only those Alternative Investment Fund Managers (AIFMs) authorised under the AIFMD are permitted to manage a RAIF.

The RAIF is attractive to sophisticated investors who are comfortable with the investor protection offered by the AIFMD, and do not need direct regulatory supervision of the fund.

The RAIF has many features in common with the popular and successful SIF and SICAR fund structures. Its primary difference is that it has no double layer of regulation of the AIFM and the fund.



Why choose the RAIF?

The main benefits are:

- Speed to market: the RAIF is not subject to approval by the Luxembourg regulator (CSSF).
- Access to an EU marketing passport.
- Structuring flexibility.
- 'Made in Luxembourg' fund quality label.
- AIFMD quality seal (transparency, risk management, and independent valuation).

Product and share class features

- May be created as a stand-alone fund or as an umbrella fund with segregated liability between sub-funds.
- Ability of sub-funds to invest in other sub-funds under the same umbrella
- Different share classes allowed (for different currency exposure, fees etc).
- Minimum capital of € 1,250,000 to be reached within twelve months.

Legal forms and set-up

- Partnership (SCS or SCSp) – Limited Partnership Agreement.
- Investment Company (SICAV) – Articles of Incorporation.
- Contractual fund (FCP) – Management Regulations.
- No requirement to apply to the CSSF for authorisation of the fund.
- The RAIF is set up by private or notarial deed and registered and maintained on a list with the Registre de Commerce et des Sociétés (Company Register).

Offering document

- Prepared in line with AIFMD pre-investment disclosure standards.
- Gives investors sufficient information to assess the fund risks.

Investment strategy

- All asset classes and investment strategies are permitted.
- The RAIF must respect a 30% diversification limit. There are, however, no risk diversification rules for RAIFs that invest solely in 'risk capital' investments.

Taxation

- The RAIF is subject to a subscription tax of 0.01% of NAV. Exemptions from the subscription tax are available for certain money market funds, funds dedicated to pension fund investors, and microfinance funds.
- If the RAIF invests in a portfolio of 'risk capital' and adopts the SICAR form, it is a fully taxable company. However, income and capital gains from transferable securities are tax exempt. Additionally, income from cash held for the purpose of a future investment is tax exempt for one year. Any remaining income is subject to ordinary income tax.
VAT exemption on management services applies.
- RAIFs can be set up as tax transparent vehicles or as taxable entities that could access treaty benefits from Luxembourg's double tax treaties where available to investment structures.

Conversion to RAIF

- Existing AIFs that are set up under company law will have the option to convert to a RAIF subject to shareholder approval.

Investor reporting

- Preparation of the annual financial statements and investor disclosures must follow AIFMD standards.
- The financial statements must be audited by an approved statutory auditor.
- The accounting standards to be followed are generally Luxembourg GAAP or IFRS.

How KPMG can help

For more information on the RAIF, do not hesitate to contact our specialist team who would be pleased to help you:

- understand the new fund offering and evaluate its impact on your business.
- assess compliance with the regulatory and tax provisions by examining your existing structure, identifying any gaps, and developing a roadmap to achieve the proposed objective.
- provide assistance in independent valuation services.
- implement any necessary operational requirements such as AIFMD reporting and audit of the RAIF.
- carry out the re-design, formalisation, and adaptation of remuneration policies.

Contacts

We would be interested to hear from you. Please get in touch with one of our professionals or specialist groups.



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