

# **Breakfast Seminar New York**

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**3 November 2015**

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# Breakfast

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# Welcome

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## Tadhg Young

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*Chair, Irish Funds, State Street Global*

# Ireland's offering for Alternative funds

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**Andrea Kelly**

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*Global Alternatives , Leader, PwC Ireland*

# Why is Ireland a domicile of choice for global asset managers?



- Favourable regulatory environment
- Ireland was the first jurisdiction in Europe to offer a regulated AIF structure
- Ireland is the global leader for the servicing of AIFs
  - 41% of global and 63% of European hedge fund assets are serviced in Ireland.
- Ireland offers a range of ready-made solutions to managers seeking to implement AIFMD
- Strong business conditions for domiciling funds and wide distribution channels.
- Investor demand to choose Ireland as they seek to move onshore from black-listed countries



# Why is Ireland a domicile of choice for global asset managers? (cntd)



- **Favourable Tax environment**
  - 12.5% corporate tax.
  - No subscription or net asset fund taxes.
  - No transfer taxes.
  - Generous VAT exemptions for funds.
  - Extensive tax treaty network with over 70 countries.
  - Full compliance with international tax standards.
  - Ireland is a signatory to FATCA Model 1 IGA and committed to CRS.

# Why is Ireland a domicile of choice for global asset managers?

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Structures used in the Irish Alternatives Space

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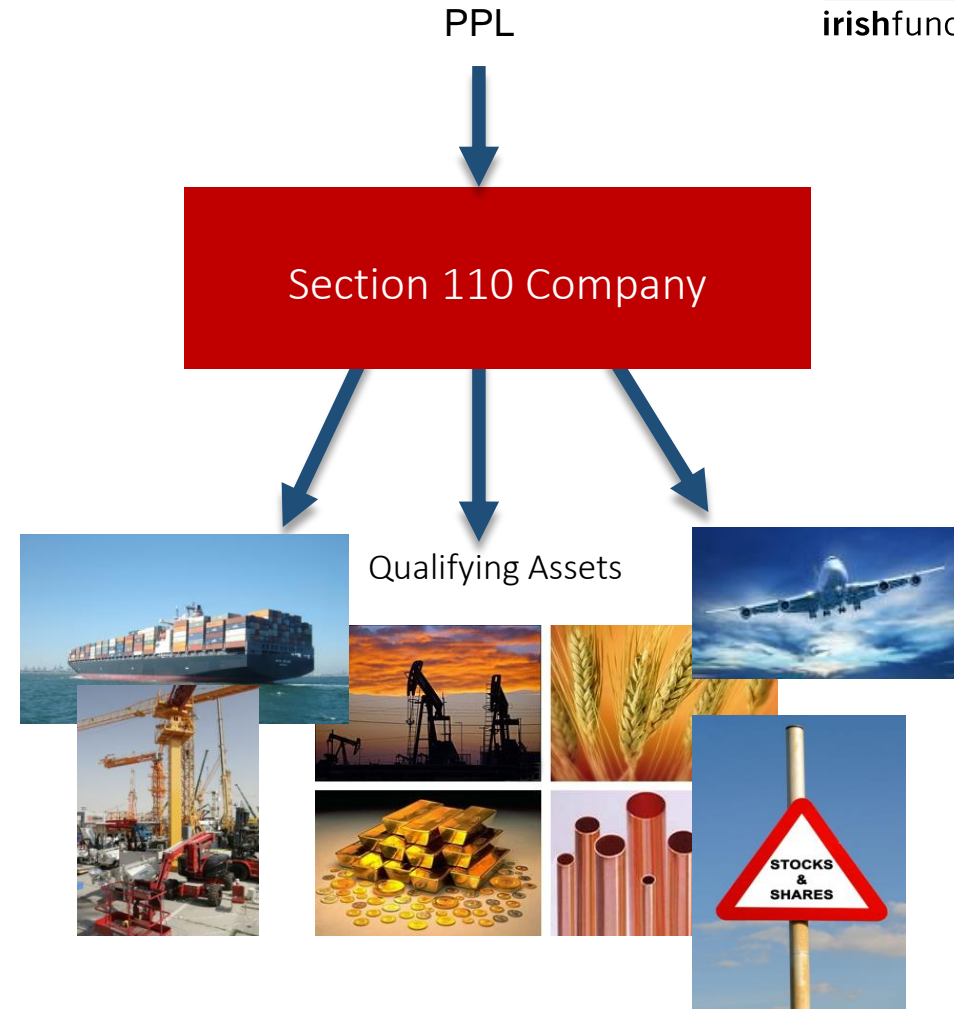
# Types of Funds - Limited Partnership



- LP structures are considered in many jurisdictions as tax transparent entities for income and gains.
- Tax is recoverable from each limited partner, based upon their personal tax position, not the partnership.
- Limited partners – limited liability, general partner – unlimited liability
- Investors do not have to commit full capital at the outset – commitment is drawn down as investments are made
- Less onerous regulations – not driven by Companies Act but by limited partners agreement
- Offshore general partners benefit from management fees not being subject to VAT.

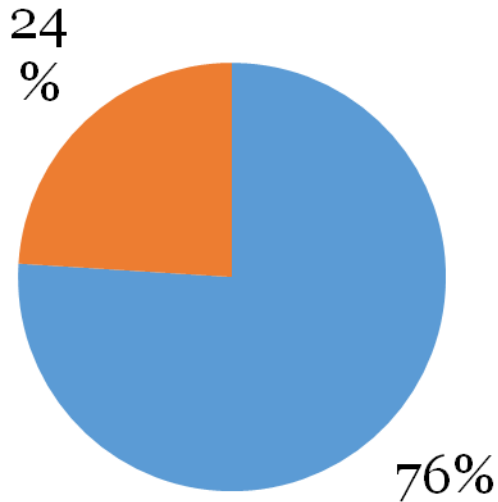
# Types of Funds Section 110 company

- An Irish resident special purpose vehicle which holds and or manages “qualifying assets”
- PPL payments deductible
- No special ruling in order to achieve this tax neutral status
- Section 110 companies cannot directly hold property
- Appropriate for property investments of >€10m
- Not usually suitable for Irish resident investors
- Eliminates tax and substance requirements (for Irish purposes)



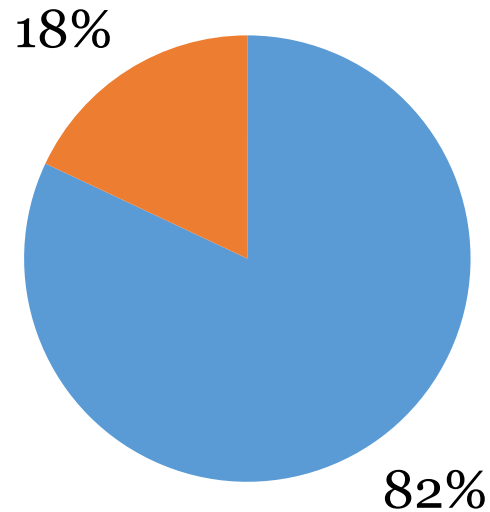
# Types of Funds - PLC

## Overall



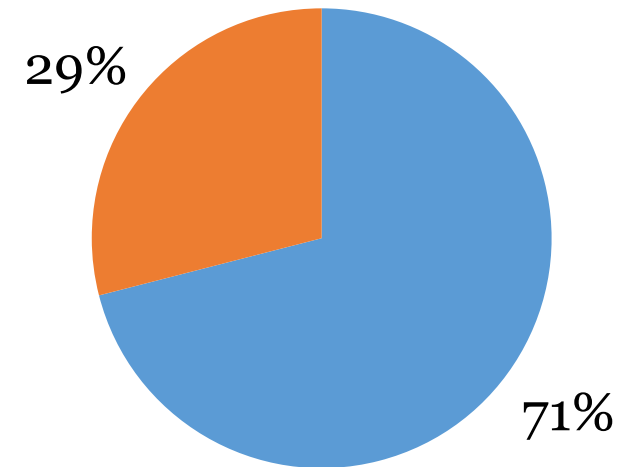
■ Corporate  
■ Non-Corporate

## UCITS



■ Corporate  
■ Non-Corporate

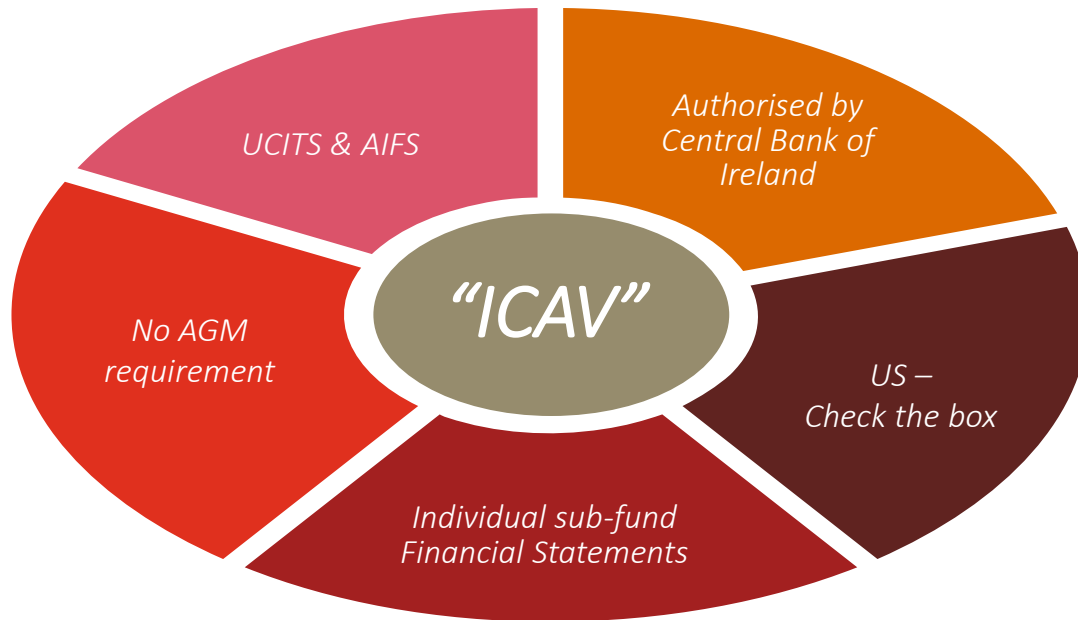
## Non-UCITS



■ Corporate  
■ Non-Corporate

# Irish Collective Asset-management Vehicle (ICAV)

The Vehicle of choice going forward



- **Formed under specific legislation for investment funds. No need to follow amendments to general corporate law required by European directives.**
- **Easy re-domiciliation and conversion ability from other jurisdictions**

# ICAV and Alternatives

- The ICAV represents a major add-on to the Irish fund's industry.
- ICAV works very well for RE investments
- Anticipate that all new Irish alternative investment funds (AIFs) will be structured as ICAVs going forward.
- To date, most ICAV's launched are predominately AIF's as opposed to UCITS.
- Re-domiciliation benefits

# Comparison of ICAV and Cayman SPC



| Distinguishing features   | ICAV  | Cayman SPC  |
|---|---|---|
| Ability to 'check-the box' for US taxation purposes                       | ✓   | ✓   |
| Ability to access double taxation agreements                              | ✓   | X   |
| Financial Statements can be drawn up at sub-fund level                    | ✓   | X   |
| Requirement to have minimum of 2 directors                                | ✓   | X   |
| UCITS / AIF compliant structure   | ✓   | X   |
| Separate Annex IV reporting requirement                                   | For an AIF with a non-Irish AIFM there is no separate Annex IV reporting to the CBI | Where passported into the EU the fund must report to <u>each</u> competent authority where the fund is marketed |
| Regulated entity  | ✓   | X   |
| Required to have the aim of spreading investment risk                     | X   | X   |
| Shareholder approval required for all changes to constitutional documents | X   | X   |
| May dispense with requirement to hold annual general meetings             | ✓   | ✓   |
| Ability to have Umbrella structure and/or Stand-alone structure           | ✓   | ✓   |
| Segregated liability between sub-funds / portfolios                       | ✓   | ✓   |
| Choice of liquidity options (open ended, closed ended & limited life)     | ✓   | ✓   |
| Ability to list on a regulated market                                     | ✓   | ✓   |
| Ability to have a Master / Feeder structure                               | ✓   | ✓   |
| Ability to market in the European Union                                   | ✓   | Note 1  |

Note 1 - On May 22, 2013, the Board of Supervisors of the European Securities and Markets Authority (ESMA) approved the signing of the MoUs with CIMA. These MoUs will enable the continued marketing of Cayman Islands hedge funds throughout the European Union pursuant to national private placement rules. CIMA has now signed AIFMD-related MOUs with 27 European Union members.



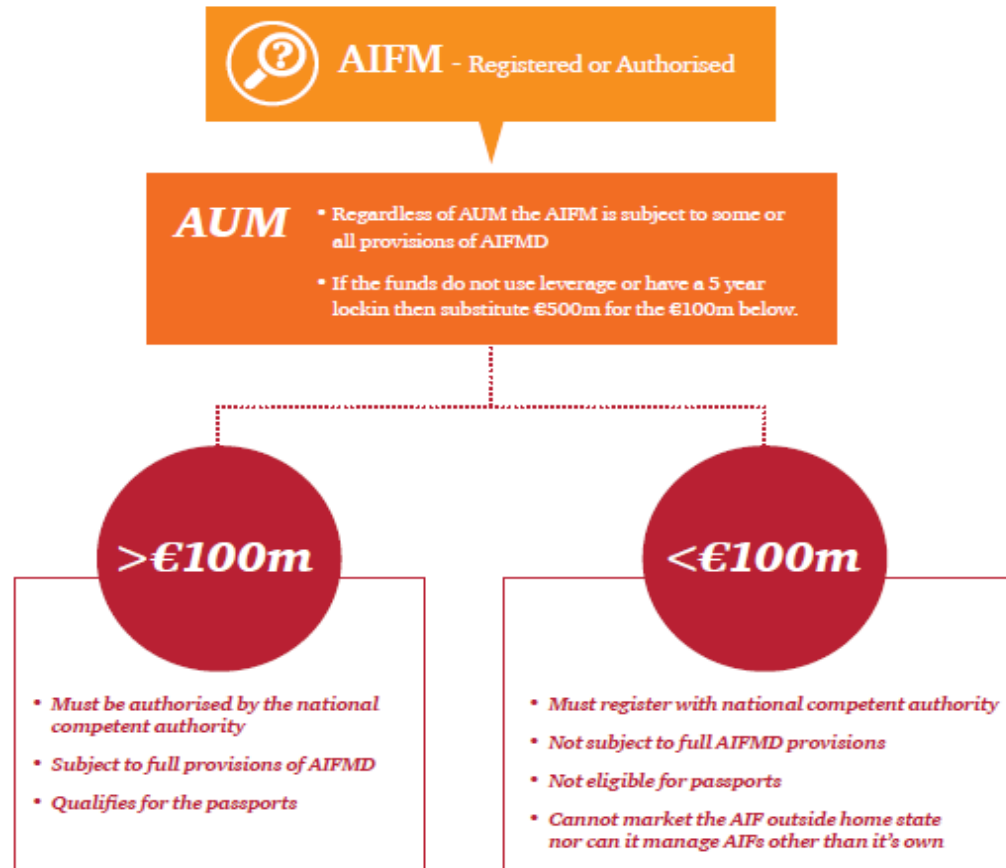
# Why is Ireland a domicile of choice for global asset managers?

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## The Regulatory landscape

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# AIFM Requirements

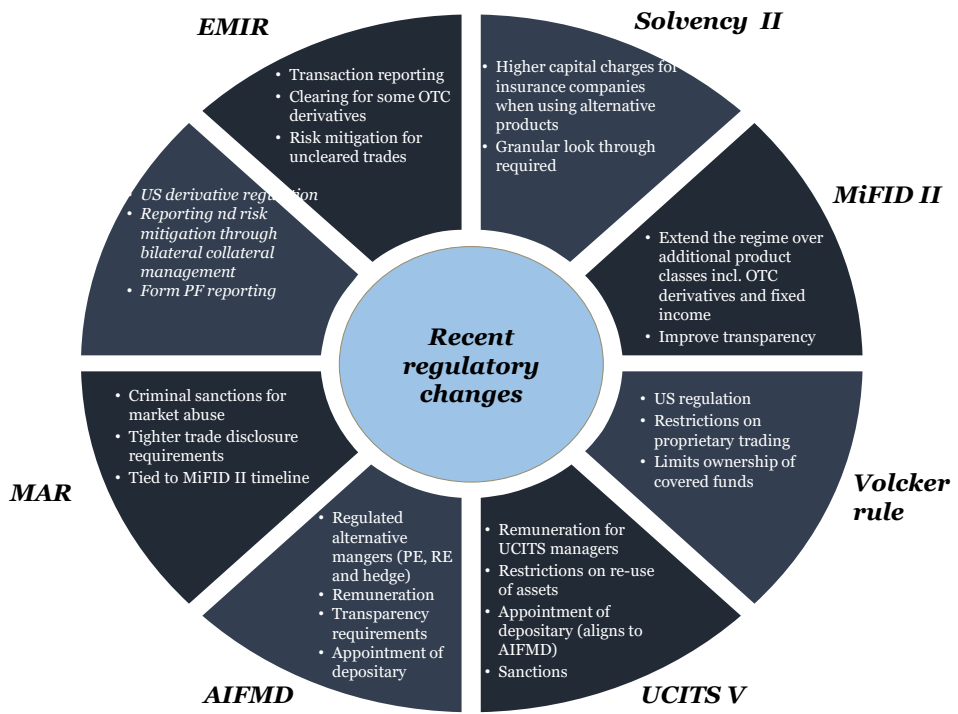


# Regulatory landscape for alternative asset managers



Alternative asset managers are grappling with extensive regulation, many for the first time. AIFMD has direct impact whereas other regulations, such as MIFID II, may indirectly impact managers, for example, increased trading venue fragmentation may impact hedge fund trading strategies.

The regulatory landscape



| Regulation  | What is the issue?   |
|---|--|
| Remuneration (AIFMD, MIFID II, UCITS V)                         | Inconsistency in the detail of all these regulations. Overlaps should be identified and consistent policies adopted where possible. The look through to delegates (outside the EU) can be a major issue for US based alternative managers.         |
| Disclosure to investors & regulators (AIFMD, MIFID II, UCITS V) | Greater need for transparency, challenging to bridge disclosure requirements to alternative strategies. Reporting on portfolio companies for PE/RE managers is also challenging.   |
| Transaction Reporting (EMIR, AIFMD, MIFID II)                   | Extensive new reporting requirements. AIFMD Annex IV & Form PF under Dodd Frank in particular present challenges when the data requirements are not tailored to the alternatives segment, particularly stress testing.                             |
| Solvency II transparency  | Insurance companies face higher capital costs if they cannot obtain granular information on fund of funds they invest in. Alternative managers need to provide this (perhaps via service provider) in format that is complete, accurate and timely |

# Why is Ireland a domicile of choice for global asset managers?

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The Alternative Landscape in 2020

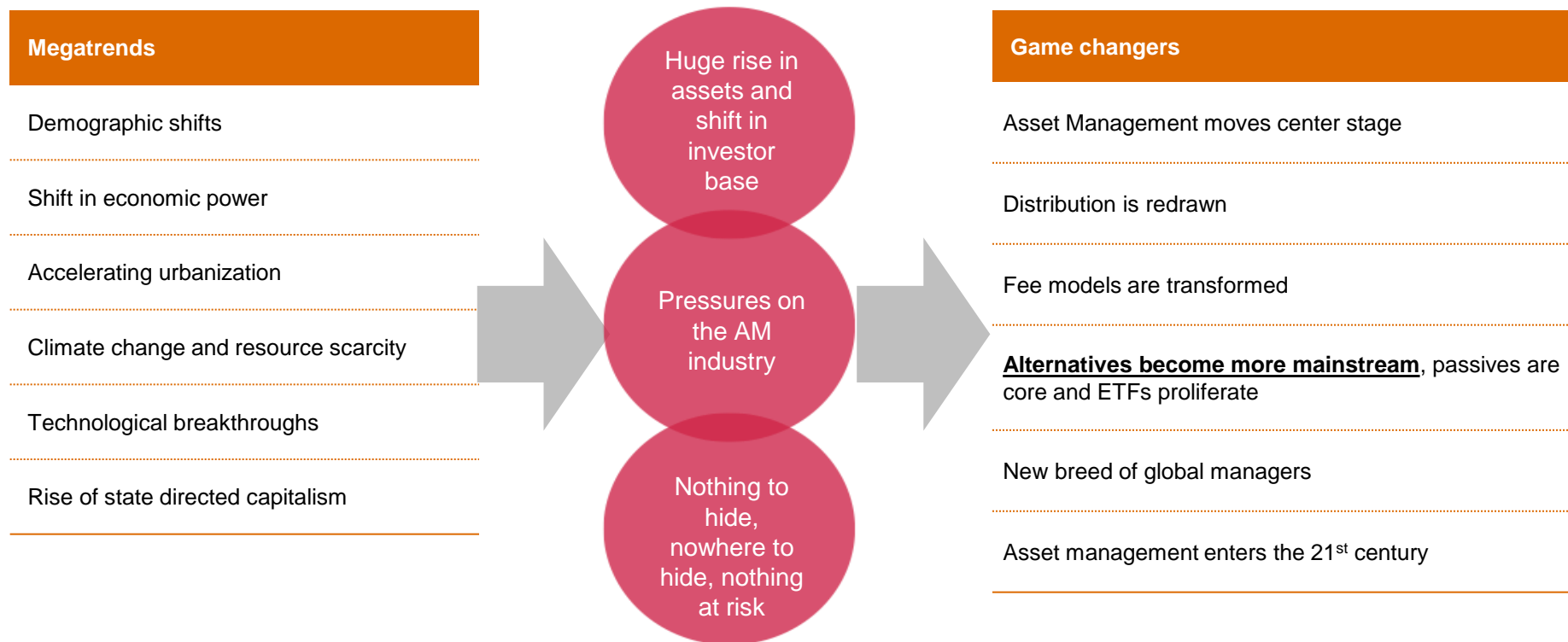
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# Strategic Drivers of Change

## AM 2020 and Alts2020: making the connection

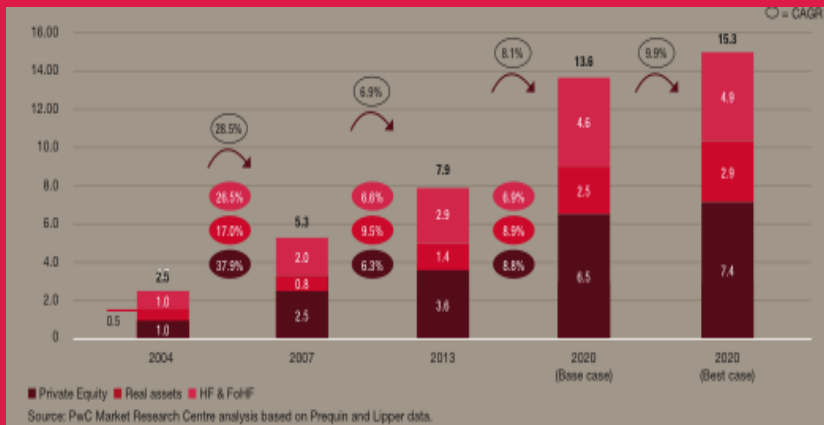
In early 2014, PwC published a report entitled *Asset Management 2020 - A Brave New World* which predicted that asset management will move centre stage. The report then captured the global trends impacting the asset management industry and identified the consequences of those trends in what we described as game changers.....One of those game changers was the growth and importance of Alternatives.

### *A brave new world*

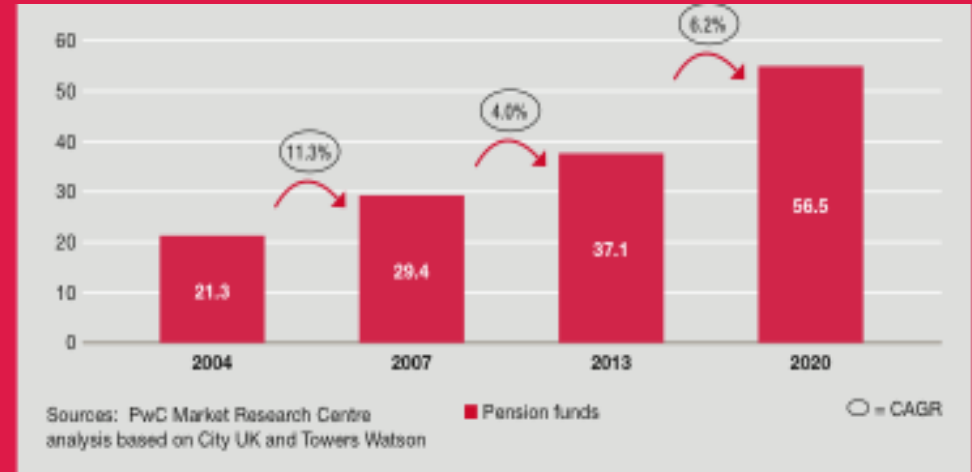


# The alternative landscape in 2020

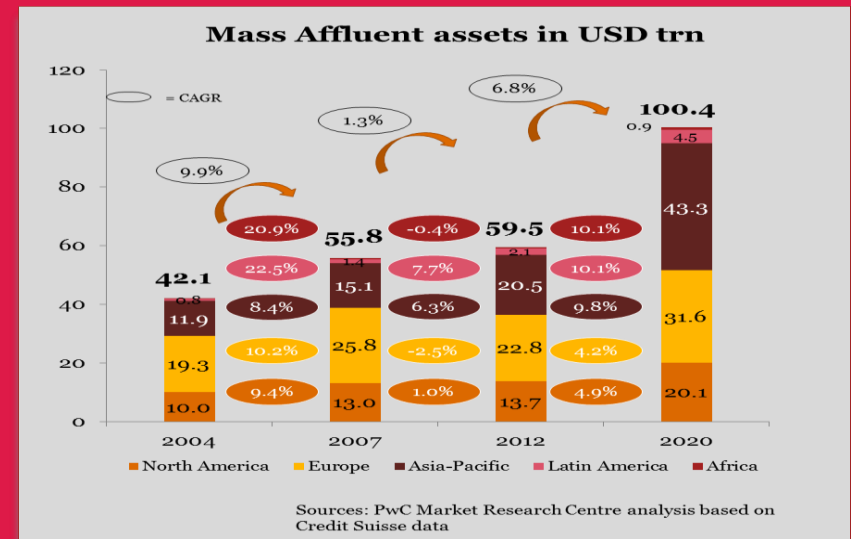
**Alternative assets are expected to grow between \$13.6tn and \$15.3tn**



**SAAAME mass affluent and HNWI growth rates will be double the developed markets (9.8% CAGR in Asia Pacific, 10.1% CAGR in Latin America and 11% CAGR in Middle East and Africa among the mass affluent)**

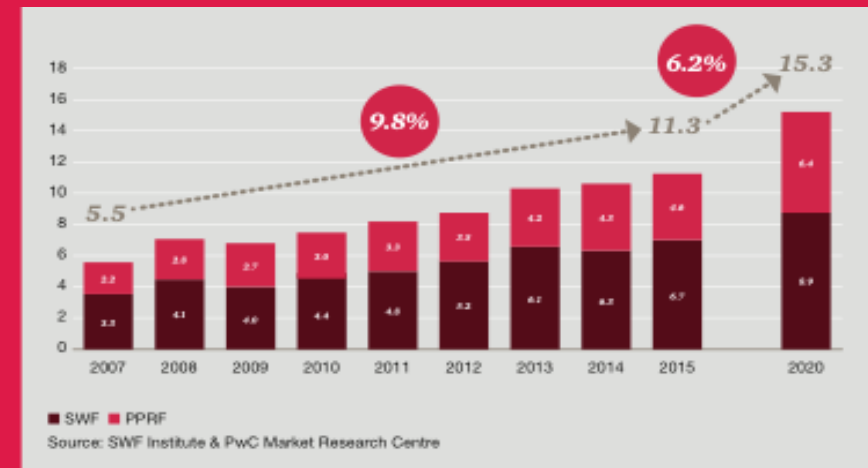
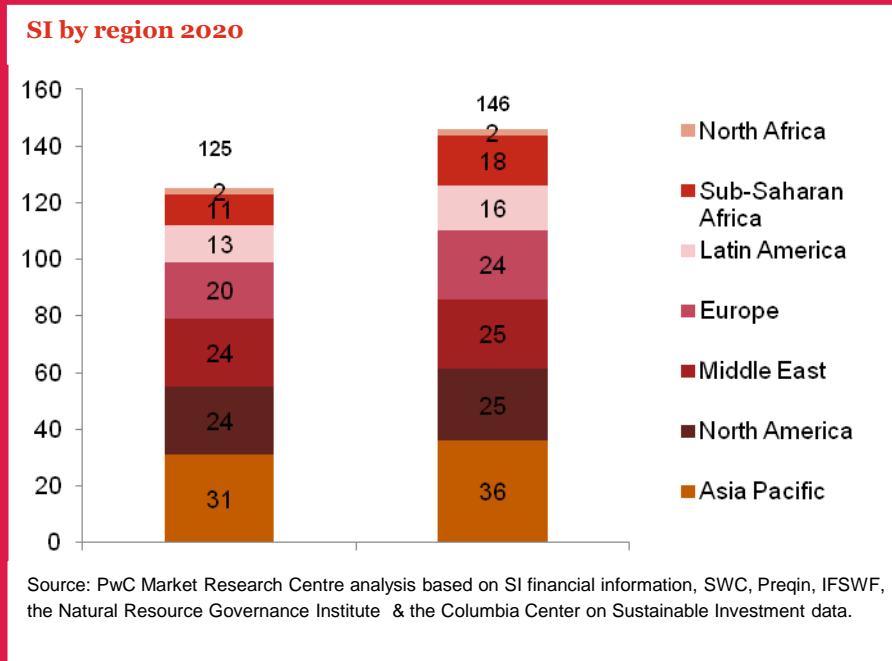


**Retirement savings will rise as the aging of the world's population continues**



# The alternative landscape in 2020

- *Sovereign assets will rise.....*



*.....and much of it will originate from SAAME*

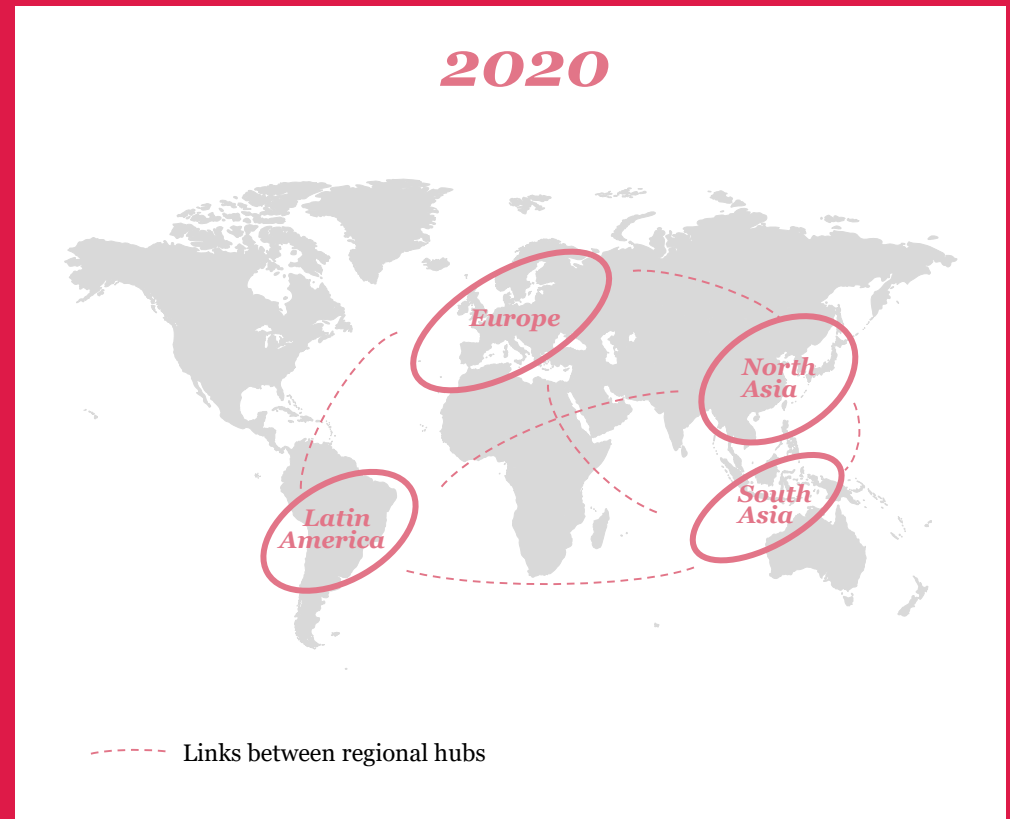
- *There will be a new breed of global managers and some will be alternative managers*
- *Data management and investment in technology will become a top priority for alternative managers.*

# *The alternative landscape in 2020*

*Distribution is redrawn into four distinct regional fund blocks by 2020*

*Pressures on the alternative asset management industry*

- *Increased regulatory requirements*
- *Rising costs*
- *Pressure to reduce fees*





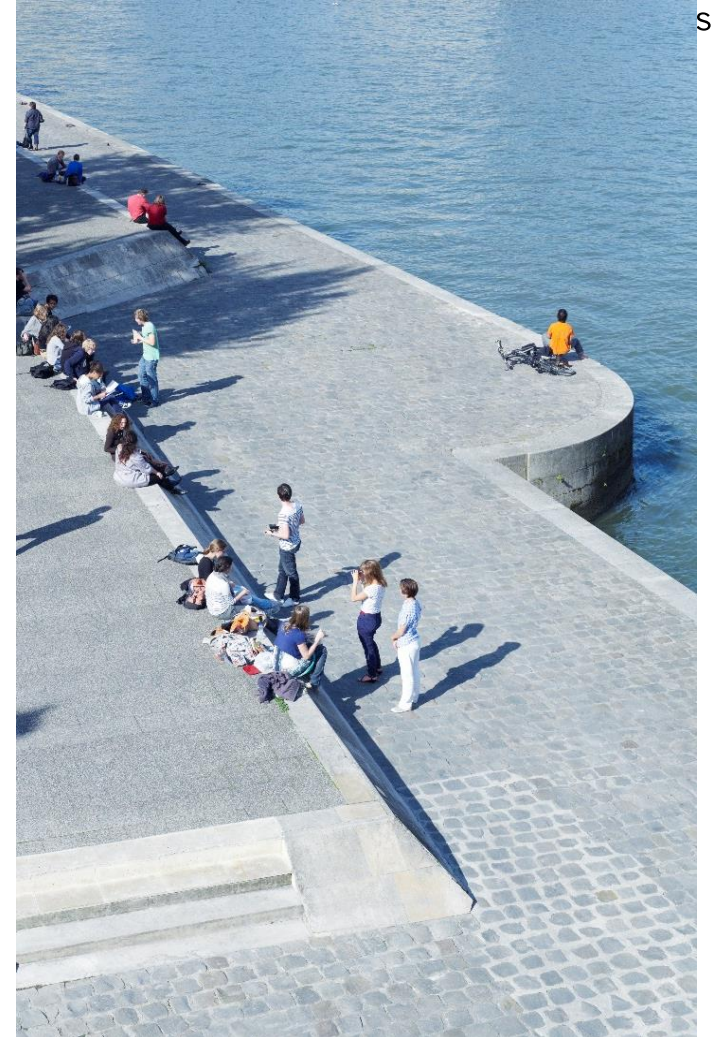
# Industry Trends



- Blurring of the Lines – Alternatives goes mainstream
- PE Growth - AUM growth driven by longer hold times, increased dry powder, large backlog of pre-crisis investments remain
- RE – very active real state markets in Europe
- Global Hedge fund assets continue reach new highs despite lack lustre performance in 2014
- Liquid Alternatives - UCITs hedge funds are here to stay.

# How does Ireland play in this new World? **if**

- Ireland is Europe's leading hedge fund domicile.
- AIFMD compliant
- Common Reporting Standards ("CRS") / Transparency
- Expertise
- Cost of doing business
- Technology advances
- The Cost and Speed of On boarding new investment mandates
- RE & PE domicile and servicing centre
- EU Long Term Investment Funds
- Regulated Loan Origination Funds



# Conclusion

- Huge growth potential in the Alternatives World for investment fund managers
- Alternatives are taking centre stage
- If setting up an alternative fund.....
  - Think IRELAND!



# Thank you

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# Why ICAV for US investment managers?

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**Tara Doyle**

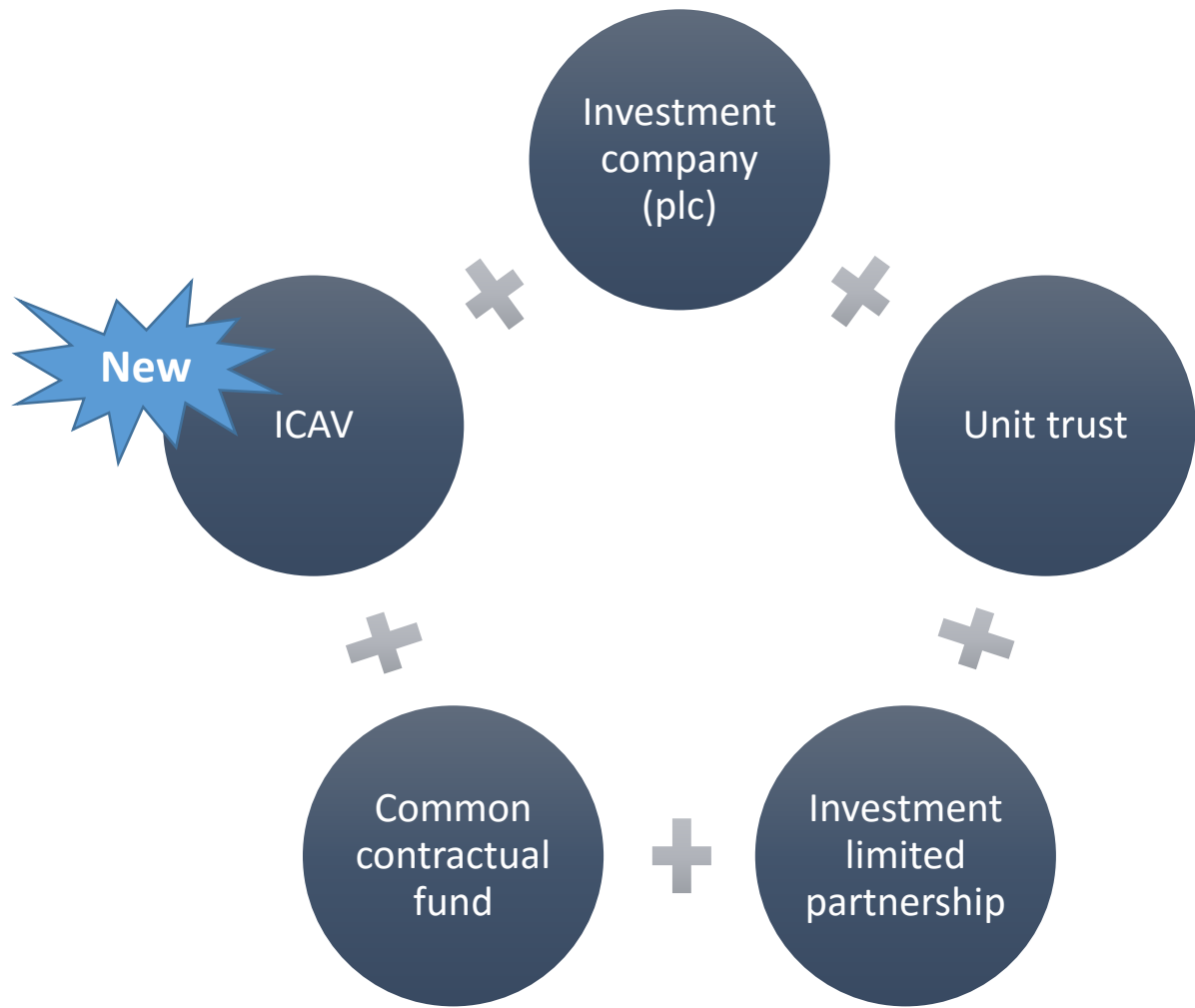
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*Partner, Matheson*

# Why ICAV for US Managers

- Background to ICAV
- Key features
- Master-Feeder structures
- Incorporation
- Conversion
- Redomiciliation

# Irish Fund Vehicles





# Background to ICAV



# Background to ICAV



- A bespoke Irish fund vehicle
- Irish Government's IFSC Strategy 2011 – 2016
- Co-operation between government and industry
- ICAV legislation entered into force 12 March 2015
- First ICAV established 18 March 2015

# An Alternative to the Investment Company

- Most successful and popular structure to date
- 70% of Irish domiciled non-UCITS established as investment companies
- Origins
  - Need for a UCITS vehicle
  - Amendment to Companies Acts quickest route
- Not an “eligible entity” under US check-the-box taxation rules
- Impacted by company legislation aimed at trading companies rather than investment funds





# ICAV Key Features

# ICAV - Key Features

- Own legislative regime
- Eligible entity under US check-the-box taxation rules
- Central Bank is supervisory authority
- Governing document – “Instrument of Incorporation”
  - Investor approval of changes not required where no prejudice
- Board of directors

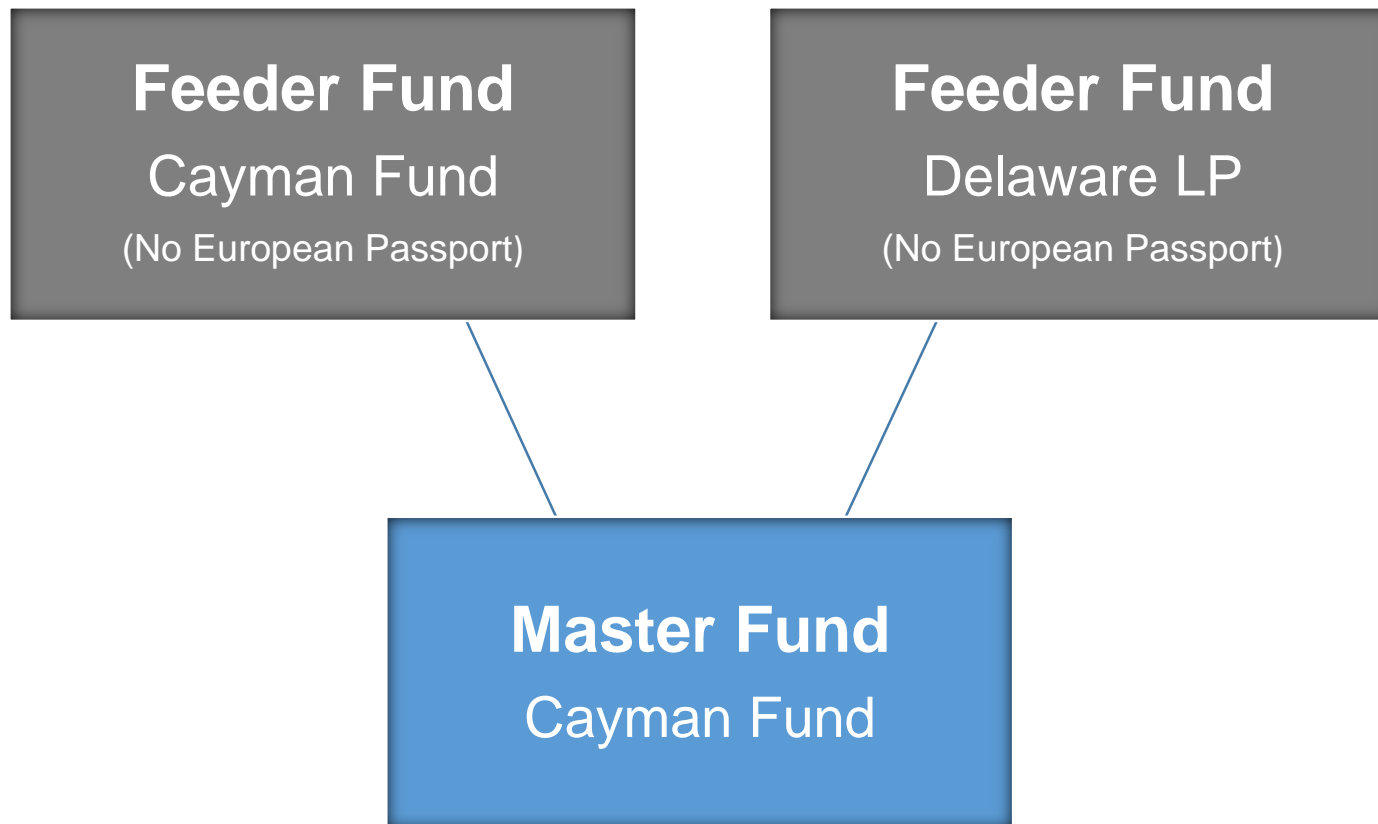
# ICAV - Key Features (2)

- May be externally managed or self-managed
- May be an umbrella structure with number of sub-funds and share classes
- May be UCITS or AIFs
- Segregated liability of sub-funds
- May dispense with AGM
- May be listed on a stock exchange

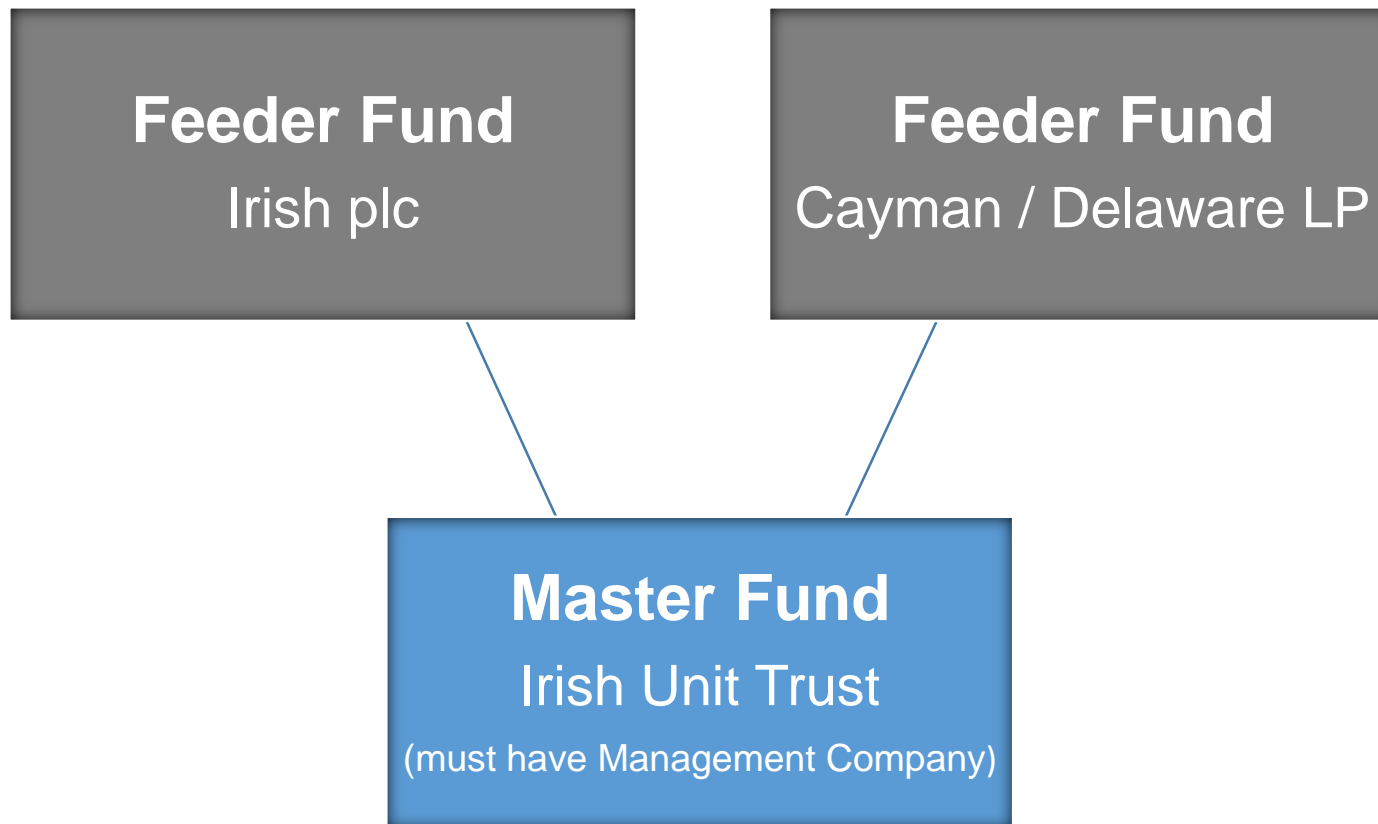


# Master-Feeder Structures

# Master Feeder Structures – No Passport

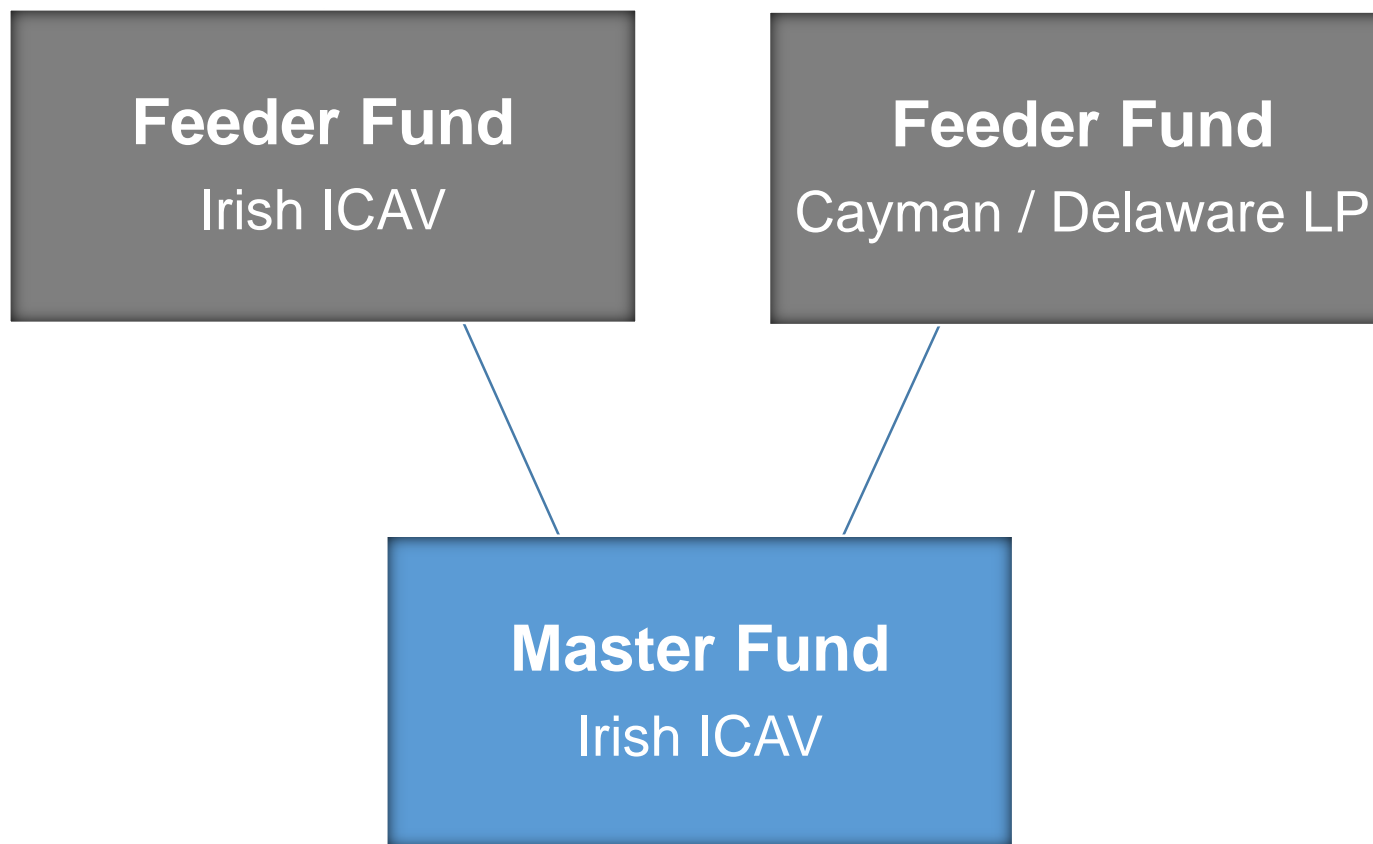


# Master Feeder Structures – European Passport, Pre ICAV





# Master Feeder Structures – European Passport, Post ICAV





# Incorporation / Registration

# Registration of an ICAV

- Registration with Central Bank equivalent to investment company incorporation
- Authorisation by Central Bank once ICAV has been registered
- Head office must be in Ireland
- Must have at least two directors
- Directors must satisfy Fitness and Probity requirements



# Conversion

# Conversion from Investment Company to ICAV

- Straightforward conversion process
- Conversion by way of continuation
- Application documents prescribed in legislation





# Redomiciliation

# Redomiciliation

- Provisions based on earlier legislation permitting the redomiciliation of investment fund companies to Ireland
- “Transfer documents” prescribed in the legislation
- Redomiciliation currently permitted from:
  - Cayman Islands
  - British Virgin Islands

Thank you



# Ireland as domicile of choice for alternative fund managers

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## Panel Discussion

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### Moderator:

**Kieran Fox**, Irish Funds

### Panellists:

**David Kraut**, Vice President and Associate General Counsel,  
Goldman Sachs

**Robert Drake**, Bury Street Capital

**Etain de Valera**, Dillon Eustace

# Closing remarks

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**Kieran Fox**

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*Irish Funds*

Thank you

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