



The Luxembourg Reserved Alternative Investment Fund

An AIFMD-compliant fund that is flexible and can be marketed quickly

February 2017

The Reserved Alternative Investment Fund (RAIF) is changing the Luxembourg Alternative Investment Fund landscape. The RAIF is a flexible, multipurpose alternative investment fund that can be marketed quickly. It is regulated through its relevant manager, under the Alternative Investment Fund Manager Directive (AIFMD). Our team can help you on all RAIF-related issues, from defining the ideal investment vehicle to setting up your fund.

Legal structures

RAIFs may adopt one of the three following legal structures:

- SICAV: investment company with variable capital (the amount of capital is at all times equal to the net asset value (NAV));
- FCP: created as a contractual fund; undivided collection of assets handled by a management company on behalf of the unit holders; always requires a management company.
- SICAF: corporate vehicle with fixed capital; offers limited flexibility and is thus rarely used.

SICAVs and SICAFs may opt for the various legal forms provided for in the Luxembourg Company Law (public limited company, private limited company, limited partnership, special limited partnership, partnership limited by shares).



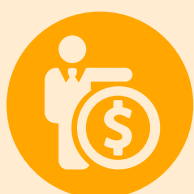
Regulation Supervision

The RAIF regime is based on the SIF and the SICAR regimes. The main difference is that it is not subject to any authorisation or supervision by the CSSF (“Commission de Surveillance du Secteur Financier”). This investment vehicle is fully compliant with the AIFMD and replicates many of the features of the Luxembourg SIF and SICAR regimes. However, unlike SIFs and SICARs, RAIFs are not required to obtain clearance from the CSSF before launch and they do not fall under the direct ongoing supervision of the CSSF.



Passporting

Since it is managed by an authorised AIFM, the RAIF also benefits from all passporting advantages for distribution: the RAIF’s shares/units can be distributed to professional investors across Europe by way of the marketing passport.



Eligible investors in a RAIF

Similarly to a SIF or a SICAR, RAIFs are available to institutional investors, professional investors and well-informed investors*.

* (1) The investor confirms his/her “well-informed investor” status in writing, and
(2) Invests a minimum of €125,000 in the RAIF, or has been the subject of an assessment made by a credit institution within the meaning of Directive 2006/48/EC, by an investment firm within the meaning of Directive 2004/39/EC or by a management company within the meaning of Directive 2001/107/EC certifying the investor’s expertise, experience and knowledge in adequately appraising an investment in the RAIF.



Compulsory service providers

A RAIF must be managed by an authorised AIFM which has its registered office in an EU member state and is fully compliant with the AIFMD.

In addition, the appointment of certain service providers is also mandatory, notably:

- A depositary assigned to the custody and safekeeping of the RAIF’s assets; the depositary must also be fully compliant with the AIFMD;
- A central administration, which is typically responsible for the accounting and NAV calculations, for keeping the register of shareholders/unit holders and the handling of subscriptions and redemptions and the preparation of financial statements;
- A Luxembourg external auditor/“Réviseur d’entreprises”.



Tax regime

RAIFs are normally subject to a 0,01% subscription tax (levied on the Net Asset Value of the fund - with some exemptions available) and are not subject to any other Luxembourg taxes (e.g. Corporate Income and Municipal Business taxes as well as Net Wealth Tax).

By exception, RAIFs that invest exclusively into risk capital related securities may opt for a tax regime similar to the tax regime of a SICAR (i.e. taxable for Corporate Income and Municipal Business taxes, but with a wide exemption for income related to risk capital securities). Under this option, RAIFs are subject to the minimum Net Wealth Tax. The combination of these two different tax regimes should not be possible within a same legal entity having different compartments.

Distributions made out of RAIFs are free of withholding tax in Luxembourg and capital gains realised by non-resident investors should not be taxed in Luxembourg.

Other RAIF features include:

- No limitations as regards eligible assets or investment policies;
- Risk-diversification requirements similar to those of a SIF. However, the RAIF is not required to apply the principle of risk spreading if it restricts its investment policy in its incorporating documents to investment in risk capital;
- Multiple compartments and multiple classes of shares;
- Flexible subscription, redemption and distribution features;
- The minimum capital requirement for RAIFs is €1.25m, to be reached within 12 months of the RAIF being created.

Your current challenges

You are looking to set up a fund which has access to the EU passport for distribution to professional investors as provided for under MiFID and you would like to do this within a short timeframe.

As long as the RAIF's manager is fully authorised under the AIFMD, the RAIF can be launched without prior CSSF approval. It is authorised to use the distribution passport to distribute shares and units to professional investors in the EU and it benefits from the investor-protection measures set out in the AIFM Directive (requirement for a licensed AIFM and licensed depositary, both submitted to a number of obligations and constraints).

How we can help

Our team of experts:

- supports you in finding the ideal investment vehicle to meet your requirements and your goals, from a governance, regulatory and tax perspective;
- supports you in setting up your fund; this includes reviewing the prospectus and providing incorporation assistance;
- provides tax structuring support;
- provides you with ongoing corporate support services throughout the lifetime of your fund (e.g. administrative management of corporate events, restructuring, launching or closing compartments);
- keeps you and your organisation up to date on new regulatory developments;
- audits the financial statements;
- helps you register your fund with local authorities for distribution in EU countries and beyond and provides fund-maintenance services;
- assists you regarding risk-management issues (at AIFM level): production of risk reports, act as a risk manager, draft your procedures, set-up risk monitoring tools.

Why PwC Luxembourg?



PwC Luxembourg (www.pwc.lu) is the largest professional services firm in Luxembourg with 2,700 people employed from 58 different countries. PwC Luxembourg provides audit, tax and advisory services including management consulting, transaction, financing and regulatory advice. The firm provides advice to a wide variety of clients from local and middle market entrepreneurs to large multinational companies operating from Luxembourg and the Greater Region. The firm helps its clients create the value they are looking for by contributing to the smooth operation of the capital markets and providing advice through an industry-focused approach.

The PwC global network is the largest provider of professional services in the audit, tax and management consultancy sectors. We're a network of independent firms based in 157 countries and employing over 223,000 people. Talk to us about your concerns and find out more by visiting us at www.pwc.com and www.pwc.lu.

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