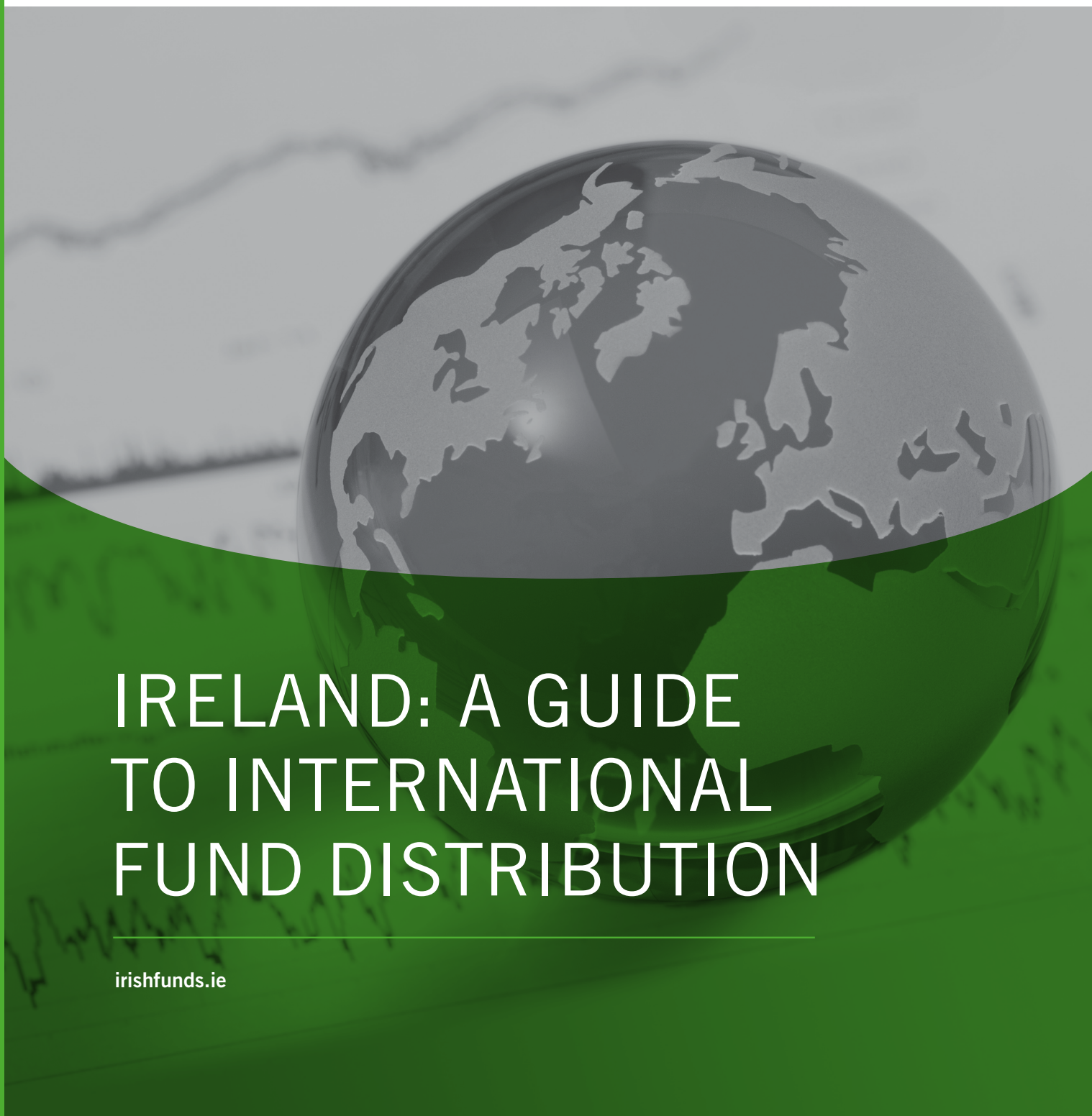
irish funds

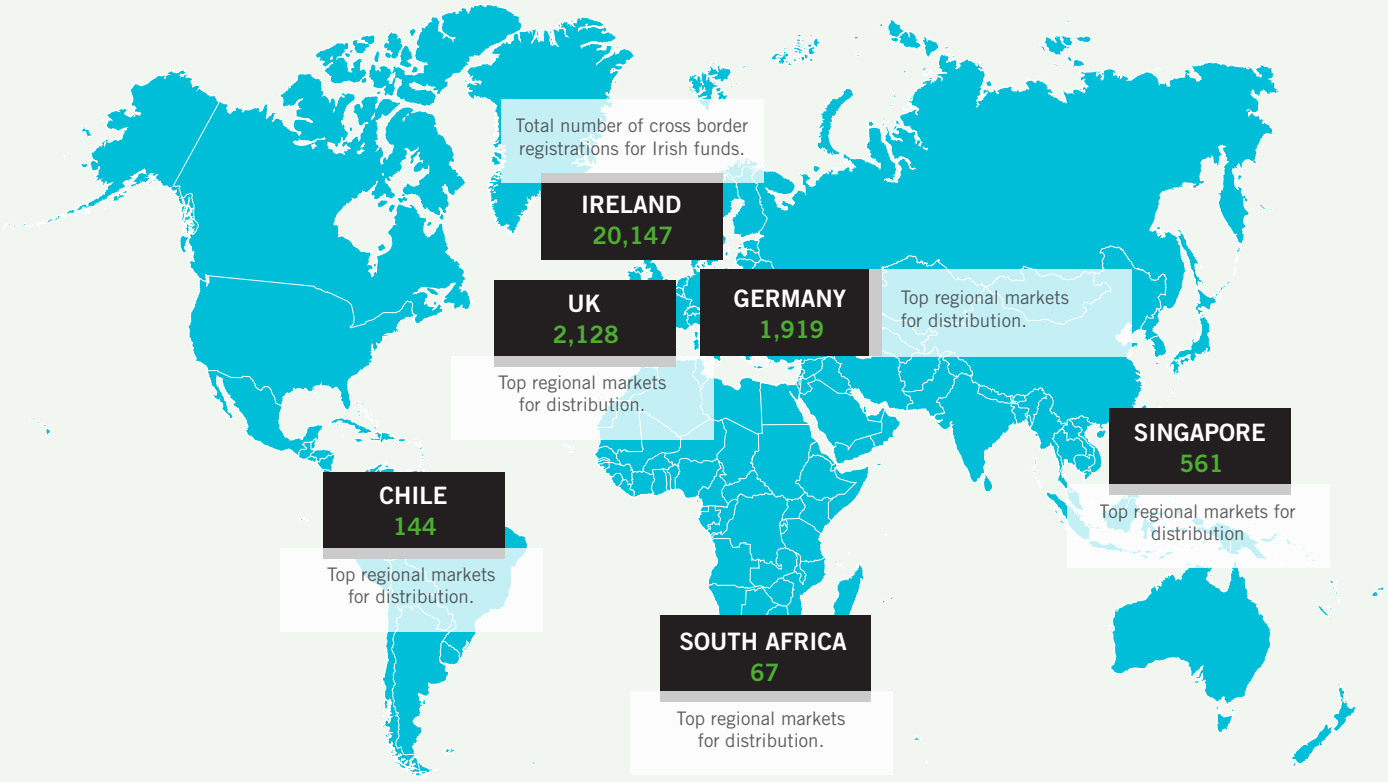


IRELAND: A GUIDE TO INTERNATIONAL FUND DISTRIBUTION

irishfunds.ie

DISTRIBUTION SNAPSHOT

Total number of Cross Border Registrations for Irish Funds



Total number of Irish funds:	**6201**
Total AUM:	**€1,899 bn**
Compound growth rate of AUM:	over 10 years **12.52%**
	(Central Bank of Ireland, as at December 2015)

SOURCE: Lipper IM, as at December 2015

CONTENTS

RESOURCE DOCUMENT 2016

WHY CHOOSE IRELAND AS YOUR DOMICILE FOR INTERNATIONAL FUND DISTRIBUTION

ACCESS - Distribute to investors via the EEA* passport across the European market consisting of 500 million consumers

EXPERIENCE- For nearly 30 years Ireland has been an established international fund centre

SCALE - Largest hedge fund administration centre in the world, over 40% of global hedge fund assets are serviced here

LEADING - Ireland is a leading domicile for UCITS funds, accounting for almost 80% of assets of Irish domiciled funds

TAX - Ireland is an internationally recognised open and tax efficient jurisdiction with over 70 double taxation agreements

TALENT- Over 13,000 highly educated professionals dedicated to the funds industry

REGULATED - Ireland has a highly internationally regarded regulatory regime and Irish funds are distributed in over 70 countries

1st- For peoples flexibility and adaptability [1]

1st- For inward investment by quality and value [2]

TOP 10 Consistently rated a Top 10 location by the World Bank for ease of doing business

Ireland continues to innovate

- 1st in the world for R&D activities [3]
- First country in Europe to issue its rule book on AIFMD (Alternative Investment Fund Manger's Directive)
- In 2015 Ireland introduced the ICAV, a new corporate vehicle designed for Irish investment funds that now sits alongside the public limited company (plc).The ICAV is a tailor-made corporate fund vehicle for both UCITS and AIFs
- Ireland has a sophisticated and scalable transfer agency environment as evidenced by the 83% average STP rate within the Irish Transfer Agency Sector. This is the best in Europe[4]

"THE FUNDS INDUSTRY IS MAKING A SIGNIFICANT CONTRIBUTION... EMPLOYING OVER 13,000 PEOPLE ACROSS IRELAND, MANY OF WHOM ARE SOME OF OUR BEST AND BRIGHTEST TALENT. THE INDUSTRY IS ONE OF THE STAR PERFORMERS OF THE IRISH ECONOMY...."

MR. ENDA KENNY, IRISH TAOISEACH (PRIME MINISTER), JUNE 18TH 2014

***EEA** means 28 EU member states plus Iceland, Liechtenstein and Norway

[1] IMD World Competitive Yearbook 2014
[2] IBM 2015 Global Location Trends Report
[3] IMD World Competitive Yearbook 2014
[4] EFAMA Swift Fund Processing Standardisation Report mid-year, 2015

DISTRIBUTION NUMBERS

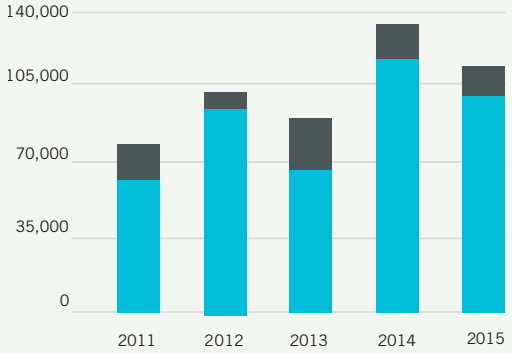
Ireland's Profile

Ireland is a centre of excellence for UCITS fund products with almost 80% of Irish domiciled funds falling under the UCITS regime. Ireland is the fastest growing major cross border UCITS domicile in Europe and is the leading jurisdiction for two of the main types of UCITS - Exchange Traded Funds (ETFs) and Money Market Funds. Over the course of 2015, UCITS net assets in Ireland increased by 13.4% to €1.45 trillion. Irish UCITS funds are widely distributed across 70 countries globally.

Ireland is a jurisdiction that is synonymous with hedge funds; it is the largest hedge fund domicile in Europe with over 2,337 funds with more than €452 billion in assets.[5] Over 40% of global hedge funds are serviced in Ireland accounting for approximately €2 trillion in assets. Ireland was the first jurisdiction to provide a regulated framework specifically for the hedge funds industry and remains at the forefront in preparing for, and reacting to, regulatory and market developments.

Irish funds continually attract high levels of net sales with 2015 being another strong year seeing net sales across UCITS and Non-UCITS of more than €118 billion.

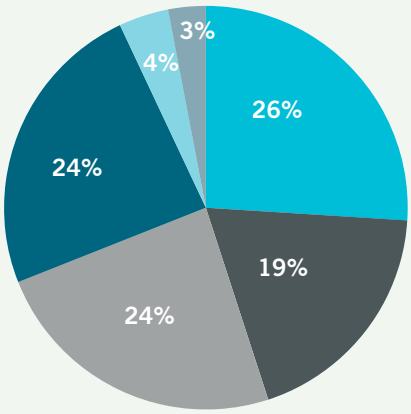
Net Sales into Irish Funds €BN



SOURCE: Central Bank of Ireland, December 2015

Net Sales in 2015 were positive in all categories of asset type as indicated by the break down below.

Net Sales into Irish UCITS by Asset Type



UCITS EQUITY
UCITS BOND
UCITS BALANCED
UCITS ALTERNATIVES
UCITS MONEY MARKET
UCITS OTHER

SOURCE: Central Bank of Ireland, December 2015

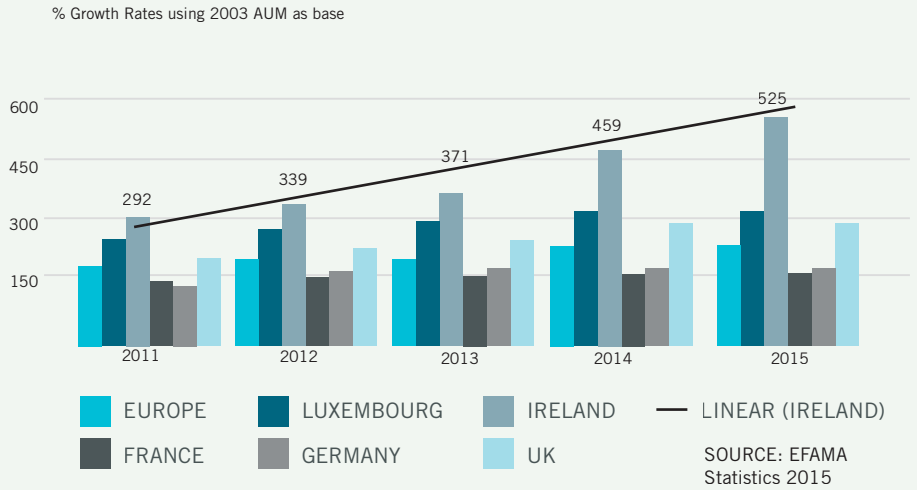
[5] Central Bank of Ireland December 2015

DISTRIBUTION NUMBERS

Growth Rates for 5 largest European Fund Domiciles 2011-2015

Exceptional net sales into Irish funds contributed to the strong growth rate of AUM. Ireland ranks consistently as the strongest growing major fund domicile in Europe over the last 10 years.

We have a technology and service mentality to meet the requirements of an evolving global investor base for funds across multiple domiciles.



SOURCE: EFAMA Statistics 2015

Top 25 countries where Irish funds are registered for Sale

COUNTRY	NO. OF FUNDS 2013	NO. OF FUNDS 2015	MOVEMENT Over 2 Year Period
UK	1,426	2,128	▲
Germany	1,228	1,919	▲
Switzerland	907	1,568	▲
France	776	1,728	▲
Netherlands	866	1,459	▲
Austria	788	1,426	▲
Luxembourg	815	1,322	▲
Spain	732	1,151	▲
Sweden	659	1,242	▲
Italy	749	1,161	▲
Finland	399	919	▲
Singapore	439	561	▲
Norway	337	707	▲
Denmark	281	626	▲
Belgium	271	377	▲
Portugal	106	304	▲
Hong Kong	222	226	▲
Macau	138	161	▲
Taiwan	169	140	▼
Chile*	n/a	144	▲
Guernsey	89	121	▼
Peru	97	87	▼
South Africa	55	67	▲
Greece	77	56	▼
Bahrain	56	77	▼

SOURCE: Lipper IM and PWC analysis December 2015
*New to the Top 25

DISTRIBUTION NUMBERS

Distribution Channels

The table below outlines the main distribution channels in the key fund distribution countries in Europe. Banks are the largest channel by far. There has been much debate over the years as to whether this route to investors will be replaced by other channels.

Key European Fund Distribution Channels

	BANKS PRIVATE & RETAIL	INSURANCE / WRAPPERS	FUND OF FUNDS (FOFs)	IFA / PLATFORMS DISTRIBUTION CO's	OTHER FINANCIAL INSTITUTIONS i.e. PENSIONS
Austria	✓	✓	✓	✓	✓
Belgium	✓	✓			
Denmark	✓			✓	✓
Finland	✓	✓	✓	✓	✓
France	✓	✓	✓	✓	✓
Germany	✓	✓	✓	✓	✓
Gibraltar	✓	✓	✓	✓	✓
Guernsey	✓	✓	✓	✓	✓
Ireland	✓	✓	✓	✓	✓
Isle of Man	✓	✓	✓	✓	✓
Jersey	✓	✓	✓	✓	✓
Italy	✓	✓	✓		
Luxembourg	✓	✓	✓	✓	✓
Malta	✓	✓	✓	✓	✓
Netherlands	✓	✓	✓	✓	✓
Portugal	✓				✓
Spain	✓	✓	✓	✓	✓
Sweden	✓	✓	✓	✓	✓
Switzerland	✓	✓	✓	✓	✓
UK	✓	✓	✓	✓	✓

SOURCE: PwC Research, 2015

DISTRIBUTION NUMBERS

Ireland services global asset managers, sophisticated alternative managers and products for funds across multiple domiciles as demonstrated in the list of Top 50 Promoters of Irish Domiciled Funds

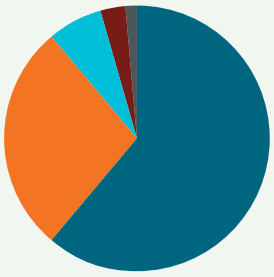
Top 50 Promoters of Irish Domiciled Funds (Ranked by AUM)

PROMOTER	ORIGIN	AUM IN BILLIONS ($)
BlackRock Financial Management	US	398
PIMCO	US	109
Goldman Sachs	US	90
Insight Investment	UK	107
Vanguard Group	US	75
State Street	US	45
HSBC	UK	42
Legal & General	UK	48
Russell Investments	US	43
Deutsche Bank/DWS	GER	40
Mediolanum	Italy	35
Mercer Global Investments	UK	53
Baring Asset Management	UK	12
Aberdeen Asset Managers	UK	28
Ignis Asset Management	UK	27
Northern Trust	US	28
Dreyfus Corporation	US	25
Neuberger Berman	US	21
SEI	US	21
Legg Mason Group	US	26
Muzinich & Co.	US	16
Stone Harbor Investment Partners	UK	16
BNY Mellon	US	18
Invesco	UK	17
Aviva Investors	UK	16
M&G	UK	20
Anima	Italy	11
GAM	UK	16
Marshall Wace Asset Management	UK	16
Grantham, Mayo, van Otterloo (GMO)	US	11
Robusta Asset Management	IRE	13
First State Investments	Australia	14
Findlay Park Investment Management	UK	12
Wellington Management International	US	12
Standard Life Investments	UK	31
Source	UK	11
Hewitt Risk Management Services	UK	16
Polar Capital Partners	UK	9
GLG	UK	9
Barclays	UK	9
Babson Capital Management	US	13
Coronation Asset Management	SA	11
LGT Capital Partners	Liechtenstein	10
Veritas Asset Management	UK	8
Old Mutual	South Africa	8
Dimensional Fund Advisors	UK	10
JO Hambro Capital Management	UK	11
Towry Law	UK	8
Janus International	US	9
Comgest	France	8
UBS	Switzerland	8
TOTAL		**1,627**

SOURCE: Monterey Fund Report 2015

DISTRIBUTION NUMBERS

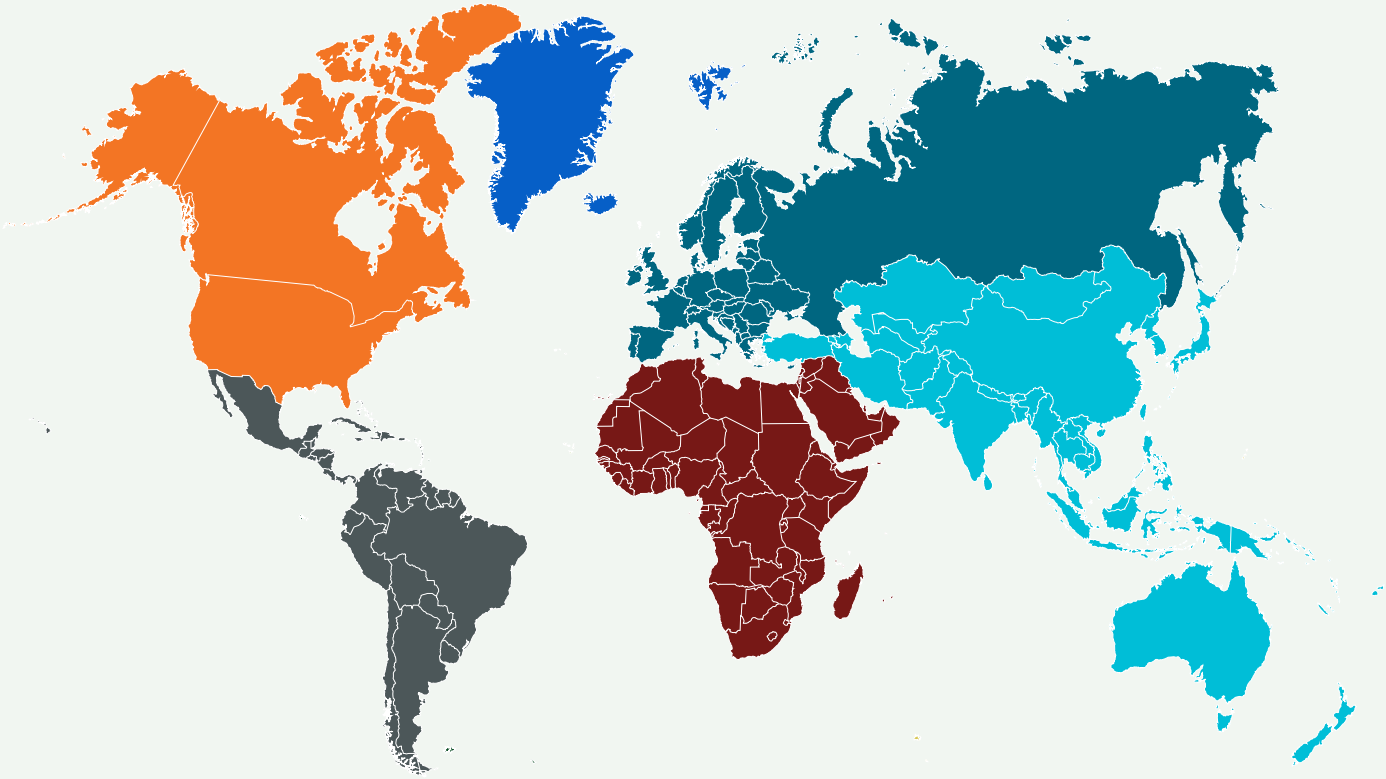
Fund Distribution - Number of Promoters of Irish Domiciled Funds by Geographic Spread



NO. OF PROMOTERS BY REGION

- 284 Europe
- 128 North America
- 31 Asia Pacific
- 14 Middle East & Africa
- 6 Latin America

Grand total **463**



SOURCE: Monterey Fund Report, 2015

DISTRIBUTION NUMBERS

Languages & Currencies

With 27 languages and 23 currencies supported, Ireland is well positioned to meet the needs of both institutional and retail investors.

EUROPE
English
French
German
Portuguese
Italian
Russian
Polish
Norwegian
Slovak
Spanish
Greek
Hungarian
Latvian
Swedish
Czech
Danish
Dutch
Finnish

ASIA
Mandarin
Cantonese
Malay-Indonesian
Japanese
Filipino
Thai

MIDDLE EAST
Arabic

AMERICAS
Portuguese
Spanish
English

AFRICA
Afrikaans
Arabic
French
Portugese

Ireland caters for a significant number of retail individuals who represent 21% of our investor base

CURRENCY SUPPORT

AUD	Australian	Dollar
BRL	Brazilian	Real
CAD	Canadian	Dollar
CHF	Swiss	Franc
CZK	Czech	Koruna
DKK	Danish	Krone
EUR	Euro	Euro
GBP	British	Pound
HKD	Hong Kong	Dollar
ILS	Israeli	New Shekel
INR	Indian	Rupee
JPY	Japanese	Yen
KRW	Korean	Wan
MYR	Malaysian	Ringgit
NOK	Norwegian	Kroner
NZD	New Zealand	Dollar
PLN	Polish	Zloty
RMB	Chinese	Renminbi
SEK	Swedish	Krona
SGD	Singapore	Dollar
THB	Thai	Baht
USD	US	Dollar
ZAR	South African	Rand

Countries of Distribution Support

Irish fund administrators provide distribution support to Irish and non-Irish domiciled funds in over 160 countries.

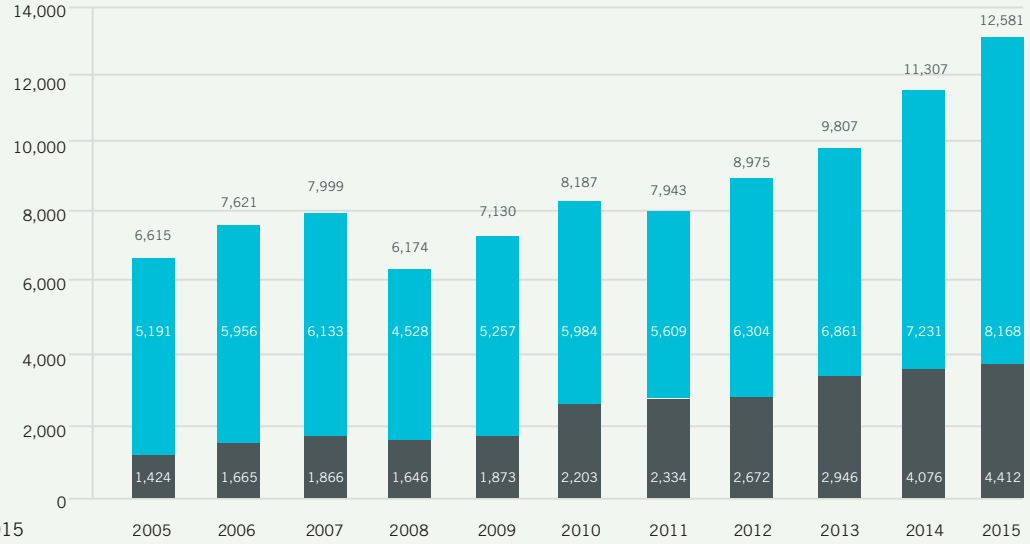
American Samoa
Andorra
Angola
Anguilla
Antigua & Barbuda
Antilles
Argentina
Armenia
Aruba
Australia
Austria
Azerbaijan
Bahamas
Bahrain
Bangladesh
Barbados
Belgium
Belize
Benin
Bermuda
Bolivia
Botswana
Bouvet Island
Brazil
British Indian Ocean Territories
British Overseas Territories
British Virgin Islands
Brunei
Bulgaria
Cambodia
Cameroon
Canada
Caribbean Islands
Cayman Islands
Chile
China
Columbia
Cook Islands
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
Dominican Republic
Ecuador
Egypt
El Salvador
Eritrea
Estonia
Ethiopia
Falkland Islands
Fiji
Finland
France
French Polynesia
Gabon
Gambia
Germany
Ghana
Gibraltar
Greece
Greenland
Guadeloupe
Guatemala
Guernsey
Guyana
Haiti
Honduras
Hong Kong
Hungary
Iceland
India
Indonesia
Ireland
Isle of Man
Israel
Italy
Jamaica
Japan
Jersey
Jordan
Kazakhstan
Kenya
Kuwait
Latvia
Lebanon
Liechtenstein
Lithuania
Luxembourg
Macau
Madagascar
Malawi
Malaysia
Maldives
Malta
Marshall Islands
Martinique
Mauritius
Mexico
Monaco
Montserrat
Morocco
Mozambique
Namibia
Nepal
Netherlands
New Caledonia
New Zealand
Nicaragua
Nigeria
Norway
Oman
Pakistan
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Poland
Portugal
Puerto Rico
Qatar
Reunion
Romania
Russia
San Marino
Saudi Arabia
Serbia
Montenegro
Seychelles
Singapore
Slovakia
Slovenia
Solomon Islands
South Africa
South Korea
Spain
Sri Lanka
St. Helena
Suriname
Swaziland
Sweden
Switzerland
Taiwan
Tajikistan
Tanzania
Thailand
Trinidad &Tobago
Tunisia
Turkey
Turks and Caicos Islands
Uganda
Ukraine
UAE
UK
Uruguay
US Virgin Islands
USA
Venezuela
Vietnam
West Indies
Zambia

SOURCE: Irish Funds, May 2015

DISTRIBUTING IRISH FUNDS IN EUROPE

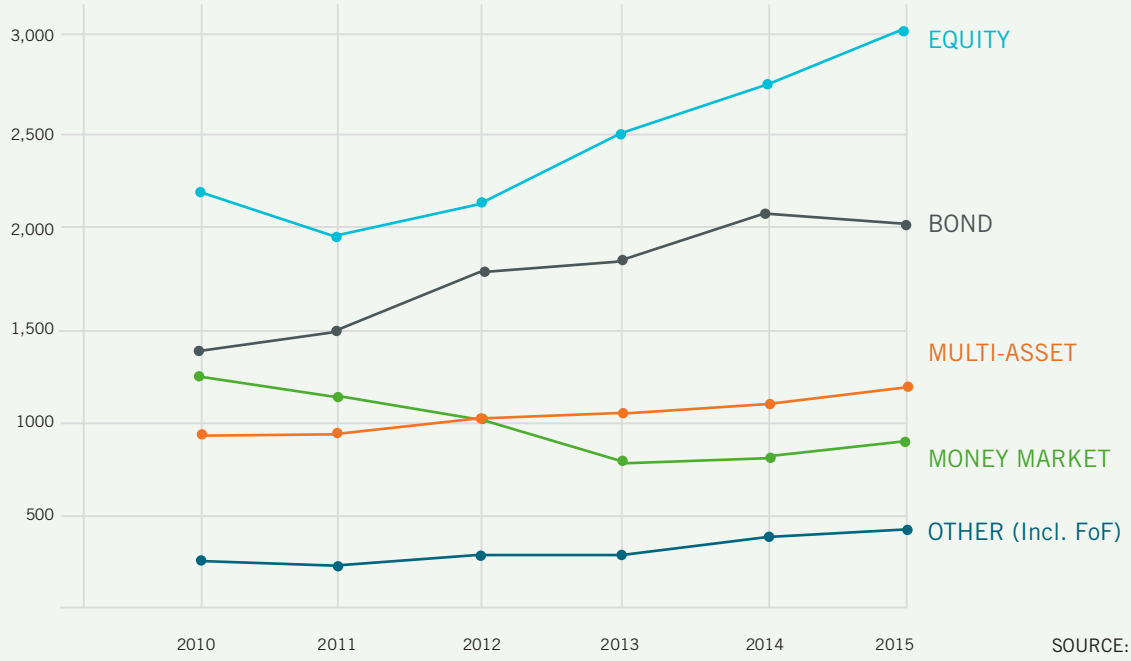
2015 was a record year for the European investment fund industry. Net sales of European investment funds rose to an all-time high of €725 billion in 2015 and assets under management increased by 11% to €12 trillion.[6]

Net Assets of European Investment Funds €BN



SOURCE: EFAMA, December 2015

Recent Trends in Assets by UCITS Types, Net Assets €BN

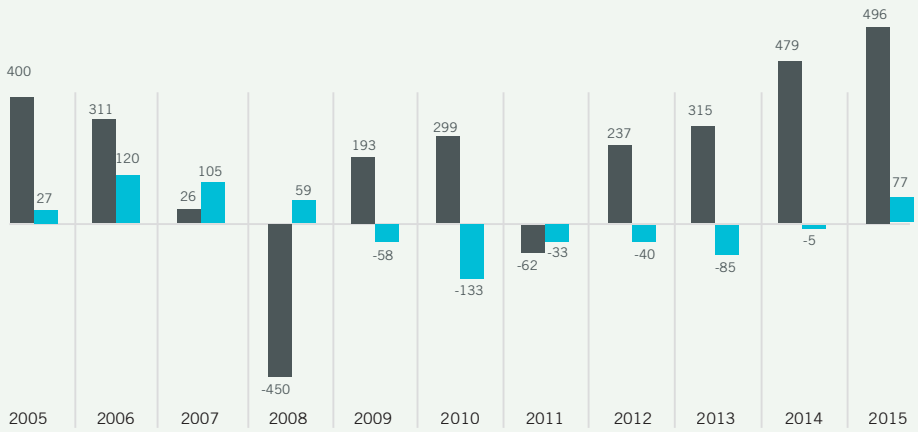


SOURCE: EFAMA, December 2015

[6] Source: EFAMA, 2015

DISTRIBUTING IRISH FUNDS IN EUROPE

Net Sales of Long-term UCITS and Money Market Funds €BN



LONG TERM UCITS

MONEY MARKET FUNDS

SOURCE: EFAMA, December 2015

European investment funds are either regulated as UCITS funds under the UCITS directive or as non-UCITS or alternative investment funds (AIFs) under the Alternative Investment Fund Managers Directive (AIFMD). 2015 was an excellent year of growth in the European funds industry. Net assets of UCITS increased by 13% to €8,168 billion and net assets of non-UCITS increased by 8.3% to €4,412 billion.[7]

Europe ranks as the second largest market in the global asset management industry, managing 33% of the estimated €37 trillion global mutual fund assets at end 2015.[9]

UCITS

The UCITS product has been hugely successful since its inception in 1985. Now almost 30 years old, UCITS have gone from strength to strength, with 30,026 UCITS funds with €8,168 billion in assets as of 31 December 2015, according to EFAMA.

Europe is the most popular market for distributing UCITS funds, with over 63,000 registrations at the end of April 2015.[10]

This is over 5 times more than the next highest investing region, the Asia Pacific region, followed by the Americas and then the Middle East / Africa region.

Europe is therefore a market that should not be ignored by asset managers looking to raise assets. Many European investors look for the protection of the UCITS framework when making investments.

The top 10 European countries of distribution are Germany, Switzerland, Austria, France, UK, Netherlands, Spain, Italy, Sweden and Finland.

[7] EFAMA Q4 2014 Quarterly Statistical Release
[9] EFAMA March 2016 International Statistical Release
[10] Lipper IM April 2015

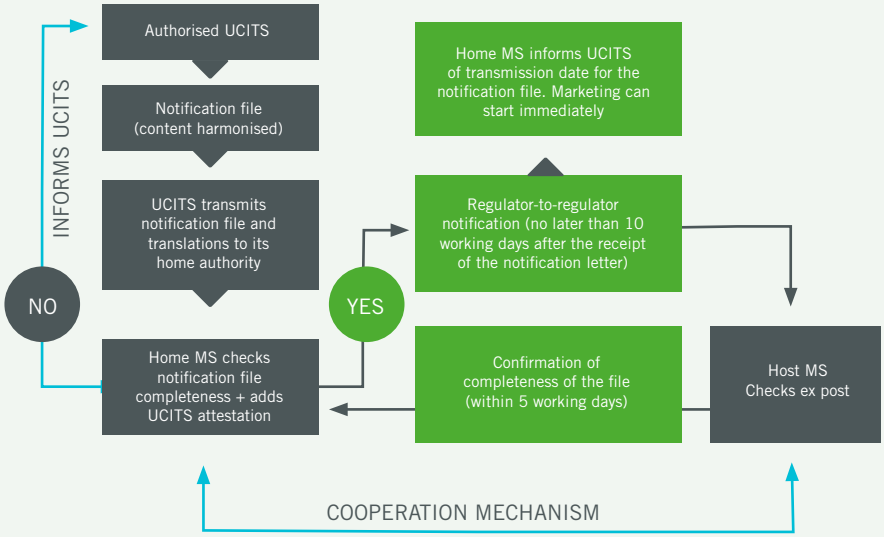
DISTRIBUTING IRISH FUNDS IN EUROPE

The UCITS Passport – How does it work?

UCITS funds benefit from a European Economic Prep (EEP) wide "passport" which means that once they are authorised in one EEA member state, they can be sold in any other EEA member state without the need for any additional authorisation. This is called the notification procedure.

The home state regulator has 10 working days from the receipt of the notification file to notify the host state regulator. The host state regulator has at most 5 working days to confirm to the home state regulator that the notification file has been received and the documents are printable and readable. The notification process is outlined in the diagram.

UCITS Notification Process



List of documents to be provided

- A notification letter - this is in a standard format and contains three sections of information relevant to the UCITS itself and the proposed marketing of UCITS in each host EEA member state. There must be a notification letter for each host EEA member state in which the UCITS wishes to publicly market its shares or units;

- Fund rules or its intruments of incorporation;
- Prospectus;
- Latest annual report and any subsequent half-yearly report; and
- Key investor information document (KIID)

The notification letter for the attention of the host regulator to market a fund in a particular country must provide the following information:

1. Type/name of the entity in charge of the marketing of UCITS in the particular country.
2. Details of the paying agent where applicable.
3. Detais of any person from whom investors may obtain information and documents.
4. Name and place of the entity where the investors may obtain the net asset values, issue and redemption prices, the last prospectus, the last financial reports, the fund rules/ articles of incorporation and as far as enabled, access to the contracts arranged with the UCITS.
5. Any other information required by the host regulator in terms of details of any information disclosed to unit holder or their agents.
6. Details of the use of any exemptions that are available in a country in relation to marketing arrangements.

Some countries may require additional documentation in the form of a prospectus supplement or may have specific service provider requirements, such as a local representative and/ or a paying agent. The procedure for selling UCITS funds outside of the EEA is country specific and would need to be considered on a country by country basis.

DISTRIBUTING IRISH FUNDS IN EUROPE

Alternative Investment Funds (AIFs)

The Alternative Investment Funds industry includes hedge funds, private equity, venture capital and real estate funds. Assets in hedge funds are mostly domiciled offshore or structured as limited partnerships in the US. Key domiciles for hedge funds outside of Europe are the US, Cayman, Australia and Brazil. The key domiciles in Europe are Ireland, Sweden, Netherlands, Guernsey, Luxembourg, France, UK, Finland and Jersey.

Any asset managers wishing to market and distribute AIFs in Europe will now have to carefully consider the implications of the Alternative Investment Fund Managers Directive (AIFMD) on how they can approach the distribution of their funds in Europe. The location of the Alternative Investment Fund Manager (AIFM) and the location of the AIF to be distributed will have a direct impact on the extent to which AIFMD compliance will be required.

All AIFMs located in the EEA whether they manage EEA or non-EEA AIFs fall within the scope of AIFMD. The AIFMD also captures the marketing within the EEA of AIFs managed by an AIFM located outside the EEA (non-EEA AIFM). Under the AIFMD, EEA AIFMs can now avail of a marketing passport to distribute AIFs within the EEA, similar to the UCITS Directive. The two types of AIFs which can be established are the Qualifying Investor Alternative Investment Fund (QIAIF) and the Retail Investor Alternative Investment Fund (RIAIF). QIAIFs are subject to a €100,000 (or equivalent in other currencies) minimum subscription requirement and can only be "marketed" (i.e. using the passport) to "professional investors", There is a higher €500,000 (or equivalent in other countries) for QIAIFs which invest more than 50% of net assets in unregulated funds.

There are two ways to sell AIFs to European investors:

1. The AIFMD passport can be used if a fund promoter has an AIFM based in an EEA member state with a European domiciled AIF or alternatively the fund promoter establishes an EEA domiciled self-managed AIF (which is authorised both as the fund and the AIFM). Since mid 2015 the Commission has been evaluating the possibility of allowing the use of the marketing passport for non-EEA AIFs.
2. Non-EEA managers with structures may continue to be distributed in various European countries using National Private Placement Rules (NPPRs) for as long as they remain available for use. However, these NPPRs are constantly evolving across territories and are due to be assessed by the European Commission between the end of 2017 and July 2018. This could potentially result in the phasing out of such NPPRs.

[11]Lipper for Investment Managers, November 2013

DISTRIBUTING IRISH FUNDS IN EUROPE

Domiciles / Marketing	Does AIFMD apply?	Marketing Arrangements
EU AIFM / EU AIF - marketed in EEA	Yes	EEA Passport
EU AIFM / EU AIF - not marketed in EEA	Yes	None
EU AIFM / Non-EU AIF - marketed in EEA	Yes	NPPRs (2013 - 2018) / EEA Passport (from mid 2015)*
EU AIFM/Non-EU AIF - not marketed in EEA	Yes	None
Non-EU AIFM/Non-EU AIF - marketed in EEA	Yes	NPPRs (2013 - 2018) EEA Passport (from mid 2015)*
Non-EU AIFM/Non-EU AIF - not marketed in EEA	No	None
Non-EU AIFM/EU AIF - marketed in EEA	Yes	NPPRs (2013 - 2018) / EEA Passport (from mid 2015)*
Non-EU AIFM/EU AIF - not marketed in EEA	No	None

*Dependent on assessment by European Securities and Markets Authority (ESMA) and European Commission (not yet concluded).

The AIFMD Passport – How does it work?

The passporting procedure under AIFMD is similar to that which exists for UCITS funds in the EEA. Once an AIFM is authorised in one EEA member state, the passport permits the AIFM to market units or shares of any EEA AIF that it manages to professional investors in the home member state of the AIFM as well as any of the other 27 EEA member states. Without the need for additional authorisation, there must be a notification letter for each EEA member state in which the AIFM wishes to market its shares or units to professional investors.

For passporting purposes, an investor must meet the definition of professional investor set out in the Markets in Financial Instruments Directive (MiFID). According to MiFID, a professional client is a client who possesses the experience knowledge and experience to make its own investment decisions and properly assess the risks that it incurs. Furthermore, in the case of an AIF structured as a Master / Feeder, the Master must be domiciled in the EEA in order to avail of the passport.

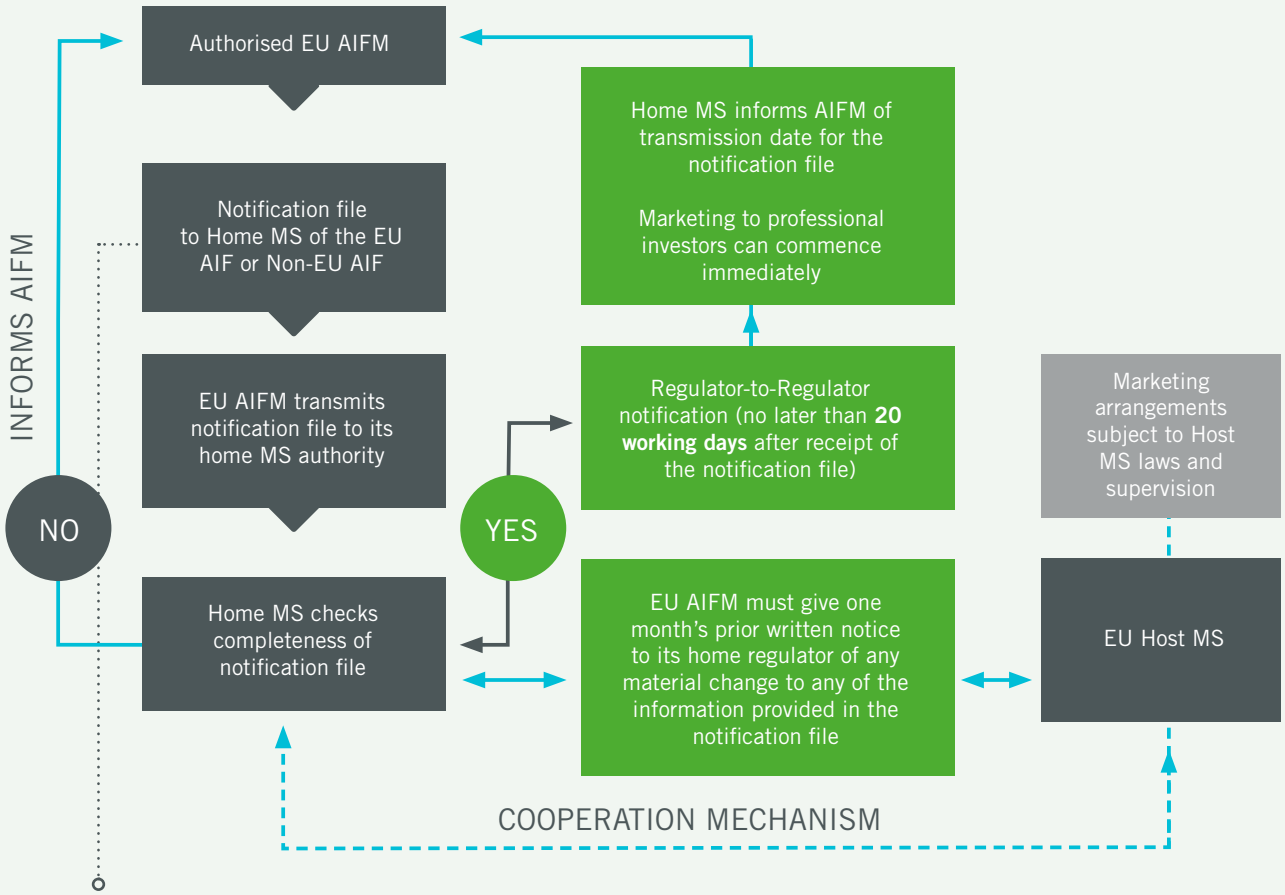
The AIFM must provide the following documentation to gain authorisation to use the passport:

- Notification letter
- AIF rules or instruments of incorporation
- Identification of depositary
- Description of information on EEA AIF available to investors
- Information on where the master EEA AIF is established if it is a feeder EEA AIF
- Indication of the Member State in which it intends to the market the EEA AIF
- Details on investment strategy and objectives, fees, latest net asset value or market value and latest annual report

The AIFMD states that within 20 working days following receipt of a complete notification file, the AIFM's home state regulator will inform the AIFM if it may start marketing the EEA AIF. Where a positive notification is received, the AIFM can start marketing with effect from the date of receipt. The AIFM's home state regulator can prevent marketing only if the AIFM's management of the AIF does not or will not comply with the terms of the AIFMD or the AIFM otherwise does not or will not comply with the terms of the AIFMD. Some countries may require additional documentation in the form of a prospectus supplement or may have specific service providers specific requirements, such as a local representative and/or paying agent.

DISTRIBUTING IRISH FUNDS IN EUROPE

Passport / Marketing Approval Process



Notification to include:

1) The AIF rules
2) The identification of the depositary
3) A description of, or any information on, the AIF which is available to investors;
4) Information on where the master AIF is established if the AIF is a feeder AIF;
5) Any additional information referred to in Article 23(1) for each AIF the AIFM intends to market;
6) Indication of the Member State in which intends to market the AIF to professional investors; and
7) Where relevant, information on arrangements to prevent the AIF from being marketed to retail investors. Including in the case where AIFM relies on activities of independent entities to provide investment services in respect of the AIF.

DISTRIBUTING IRISH FUNDS IN EUROPE

National Private Placement Regimes

National Private Placement Regimes principally relates to the marketing of non-EEA AIFs and AIFs managed by non-EEA AIFMs.

As AIFMD has been implemented in each EU member state there have invariably been differences in approach to certain areas. The fund registration process therefore varies from country to country and must be considered on an individual basis when making applications to ensure that all the requirements of each member state are met.

Reverse Solicitation

Reverse solicitation, or passive marketing, which is marketing that is not at the direct or indirect initiative of the non-EEA fund manager is still permitted under the AIFMD. For example if an investor approaches the manager about investing in a fund without prior solicitation, then on that basis the manager should not need to comply with the AIFMD as such marketing would not be at the initiative of the manager.

There is no firm guidance as to what constitutes reverse solicitation and a manager intending to rely on reverse solicitation will need to ensure that procedures and policies are put in place to clearly demonstrate that a particular EU investor invested in the fund on this basis. It will also need to ensure that follow up communications with such an investor do not in advertently result in active marketing, for example, of another fund.

If a manager is unwilling to rely on reverse solicitation, then the only alternative at present for such managers is to market in accordance with existing private placement regimes.

Marketing between 2015 and 2018

Although the private placement regime is expected to remain in place until at least 2018, not all EEA countries may retain the regime if the EEA passport is introduced following decisions from ESMA and the European Commission, further details of which are expected during 2016.

DISTRIBUTING IRISH FUNDS IN EUROPE

Marketing after 2018

The private placement regime is generally expected to remain in place until 2018, at which time ESMA is expected to report on whether this regime should stay or be abolished. If it is abolished, all non-EEA Managers who wish to continue marketing their funds in the EEA will need to apply for authorisation to a "regulator of reference" and comply fully with the AIFMD.

Now that the AIFMD is in force it is likely that many institutional investors will be looking for asset managers to comply with the AIFMD when they are making investments into alternatives either because of their own regulatory considerations or because, as a fiduciary investor, they want to avail of the investor protections built into the AIFMD.

Managers will need to determine early which jurisdictions to focus on to establish their platforms and the product set which should be aligned to each. Asset managers will require "boots on the ground" because a rapport will have to be established with policymakers and standard setters in every jurisdiction of operation.

AIFMD - COMPLIANCE OPTIONS SUMMARY

Number	Option	Passport Available
1	Appoint an Authorised AIFM	✓
2	Appoint a Sub Threshold or "Registered AIFM"	✗
3	Designate a non-EEA AIFM	✗
4	Set up an EEA AIFM	✓
5	Partner with a Third Party AIFM	✓

REGULATORY DEVELOPMENTS IMPACTING FUND DISTRIBUTION

Irish Collective Asset-management Vehicle (ICAV)

The ICAV, a new corporate vehicle designed for Irish investment funds, now sits alongside the public limited company (plc). It provides a tailor-made corporate fund vehicle for both UCITS and AIFs. The ICAV allows a new form of corporate vehicle for funds whose purpose is to minimise the administrative complexity and cost of establishing and maintaining collective investment schemes in Ireland. As a bespoke piece of legislation, it was drafted with the specific needs of investment funds in mind, and will have the advantage that it will not be impacted by amendments to certain pieces of company legislation that are targeted at trading companies. The legislation also includes a mechanism for non-Irish investment companies to migrate into Ireland and become an ICAV as part of a single process. The new vehicle now sits alongside Unit Trust, the Common Contractual Fund and the Investment Limited Partnership as existing set-up options, while an additional benefit includes the ability to elect "check the box" classification for US investors.

UCITS Directive Reform

UCITS IV introduced some improvement on the fund notification process. There is now a streamlined procedure for regulator to regulator notifications. Despite the improvements regarding the time to market, entry to certain countries is still difficult due to low harmonisation of local marketing rules.

PRIIPs

The Packages Retail and Insurance Based Investment Products (PRIIPS) legislation is expected to see the UCITS Key Investor Information Document (KIID) phased out and replaced with a new Key Information Document (KID) for all so-called PRIIPs products, which include UCITS funds, unit linked life insurance products and structured products.

Under the proposals, a new KIID would be introduced - a measure that would create a level playing field between UCITS funds and other investment products. The new three page document will include basic information about the product, its expected risk and return and the overall cost of the investments.

The draft PRIIPs rules were approved by the European Parliament in April 2014. The Council of the EU also announced that it now expects to formally adopt the proposed regulation.

Markets in Financial Instruments Directive (MiFID II)

MiFID II is set to impact on asset managers' distribution practices by introducing a ban on inducements for independent financial advisers across Europe.

Firms will also need to ensure they have clearly defined target markets when they design new products and they must ensure these products are distributed only to that intended market.

The proposed effective ban on most inducements, including commissions and rebates, for independent advisors will force many in the market to rethink their business model and how their funds are distributed. While ESMA, in its technical advice of December 2014, appears to have stepped back slightly from their original position by adding a 'wider number of positive situations justifying the receipt of inducements', it will be very difficult to legitimately receive commissions.

It is still permitted to have inducements for non-independent advisors but they have to be clearly disclosed and any costs to clients must enhance the service they are provided.

Product governance requirements have been extended; asset managers, when creating a product, must put in place a formalised approval process and must ensure that the product meets the needs of a specific target market while being distributed through the appropriate channels in order to reach that segment.

For more than a quarter of a century, Ireland has been a leading regulated domicile for internationally distributed investment funds. The Irish tax regime has been, and continues to be, one of the key growth drivers of the funds industry in Ireland.

TAXATION CONSIDERATIONS FOR FUND DISTRIBUTION IN EUROPE

Ireland's tax neutral regime for globally distributed investment funds has been in place for over 25 years. Our tax treaty network spans over 70 countries across the EU, Middle East, Asia and South America, and it is one of the most developed and favourable tax treaty networks in the world. The availability of treaty benefits in a particular case will ultimately depend on the relevant tax treaty and the approach of the tax authorities in the treaty country. Consequently, treaty access needs to be reviewed on a case-by-case basis.

Investor Level

Non-Irish investors are not subject to Irish tax on their investment and do not incur any withholding taxes on payments from the fund.

FATCA

Ireland was the first international fund domicile to sign an Intergovernmental Agreement (IGA) with the US in respect of the implementation of FATCA.

Common Reporting Standard (CRS)

Ireland was also one of the early adopter jurisdictions of the OECD's Common Reporting Standard (CRS) regime. Ireland's tax regime, as well as being highly efficient, clear and certain, is open, transparent and fully compliant with OECD guidelines and EU law. The Irish framework is legislation-based and does not rely on rulings.

Ireland has the highest rating in the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes.

Fund Level

Irish regulated funds are exempt from Irish tax on income and capital gains derived from their investments and are not subject to any Irish tax on their net asset value. There are additionally no net asset, transfer or capital taxes on the issue, transfer or redemption of units owned by non-Irish resident investors.

VAT

As provided under EU law, the provision of management, administration and custody services to an Irish regulated fund is exempt from Irish VAT. Other services, such as legal and accounting services, can result in an Irish VAT liability, but may be offset, depending on the fund's VAT recovery position.

European Developments

In recent years, several European jurisdictions, such as Austria, Switzerland, Belgium, Germany, Italy and the UK, have either introduced new tax reporting regimes or modified existing ones.

Germany

In Germany[12] the tax treatment for German investors is significantly better if they are investing in a transparent fund (i.e. a fund that has met the local German tax reporting obligations). For this reason most potential German investors require funds to have transparency status. In order to achieve tax transparency status the fund must satisfy various filing and reporting requirements, which include local publication requirements and obtaining a certificate from the German tax authorities that the fund's German tax reporting is in compliance with German tax law.

Tax information must be certified by a tax auditor and published in the German electronic federal gazette within four months of the financial year end. In addition to annual reporting Germany requires daily reporting for certain parts of the fund's income.

[12] Country specific information source: PWC Research

TAXATION CONSIDERATIONS FOR FUND DISTRIBUTION IN EUROPE

Funds which fulfil the complete range of annual and daily reporting requirements are regarded as tax transparent. The consequence of being labelled non-transparent negatively impacts the tax treatment of German resident investors.

Austria

From an Austrian tax point of view, investment funds which carry out Austrian tax reporting are considered transparent, meaning there is a direct allocation of income of the fund to investors. This is more attractive to investors than lump sum taxation which applies where a fund does not have tax reporting.

In Austria, foreign funds may appoint a local tax representative who along with the Fund administrator calculates and provides information (within certain timeframes) to the Oesterreichische Kontrollbank (OEKB) on deemed distributed income, net interest income and information on the taxable portion of the distributions paid to investors.

United Kingdom

In order for non-UK investment funds to achieve preferential treatment in the UK, it is important that investment funds obtain UK reporting status. Under the Fund Reporting Regime, a fund is required to obtain confirmation from the UK tax authorities prospectively that it meets the eligibility criteria to be considered for Reporting Fund Status. Once Reporting Fund Status is obtained a fund must then comply with the reporting requirements set out in the regulations which require that it reports 100% of its income returns (calculated under the UK tax rules) to UK investors and the UK tax authorities on an annual basis. Where a fund has Reporting Fund status, UK investors will be taxed under the Capital Gains Tax (CGT) regime upon realisation of their investment in the fund, rather than as offshore income gains taxable at investors' marginal tax rate which would otherwise apply if UK reporting status was not achieved.

Switzerland

Swiss individual investors require tax reporting so that they can declare their taxable income and the value of the investment in their tax return. If Swiss tax reporting is not undertaken, investors could suffer prohibitive income tax in Switzerland. Foreign funds are treated like Swiss funds if they pass certain equivalence criteria. If the foreign fund is to be distributed in Switzerland, an up-front authorisation by the Swiss Financial Markets Authority (FINMA) may be obtained, depending on the category of investor targeted.

The tax reporting involves the preparation of a calculation to separate the taxable income from tax exempt capital gains in the hands of the Swiss investor based on Swiss taxation principles. The taxable income and net asset value per share for income tax and personal net wealth tax purposes can be provided to the Swiss Federal Tax Administration (FTA) which then publishes these values in the official rates list. No tax information is required to be published for institutional or corporate investors.

Belgium

There is no investor tax reporting in Belgium as such, but it is required that tax is payable on the net assets of funds in Belgium and an accompanying return submitted to the Belgian tax authorities ("UCI Certification"). The Belgian Net Asset Tax is due on the net amounts invested in Belgium which equates to subscriptions (net of redemptions) made through a Belgian financial intermediary.

Where Belgian residents subscribe via foreign intermediaries, these

subscriptions are excluded from a fund's taxable base, irrespective of whether or not the fund is registered with the Belgian Banking, Finance and Insurance Commission. The tax is due and payable by 31 March each year.

Italy

Italian tax reporting was introduced with effect from 1 January 2012. From this date, profits deriving from Italian and certain other funds became subject to a 20% tax rate. The increase from 12.5% to 20% of the tax rate applicable to profits deriving from investments funds mainly affected Italian resident private individual investors and certain non-Italian resident investors.

In order to preserve the reduced 12.5% taxation in certain instances, tax reporting is required in Italy to identify the portion of profits/losses associated with "indirect" investment in eligible bonds. It is necessary to determine an average percentage on the basis of the ratio between the value of the eligible bonds and the total asset value based on the two last available financial statements of the fund.

ABOUT
IRISH FUNDS

About Irish Funds

Established in 1991 the Irish Funds Industry Association (Irish Funds) is the representative body of the international investment fund community in Ireland. We represent the fund promoters / managers, administrators, custodians, transfer agents and professional advisory firms involved in the international funds industry in Ireland, with more than 13,500 funds and net assets of more than €3.8 trillion. The objective of Irish Funds is to support and complement the development of the international funds industry in Ireland, ensuring it continues to be the location of choice for the domiciling and servicing of investment funds. Through its work with governmental and industry committees and working groups, Irish Funds contributes to and influences the development of Ireland's regulatory and legislative framework. Irish Funds is also involved in defining market practice through the development of policy and guidance papers and the promotion of industry-specific training.

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