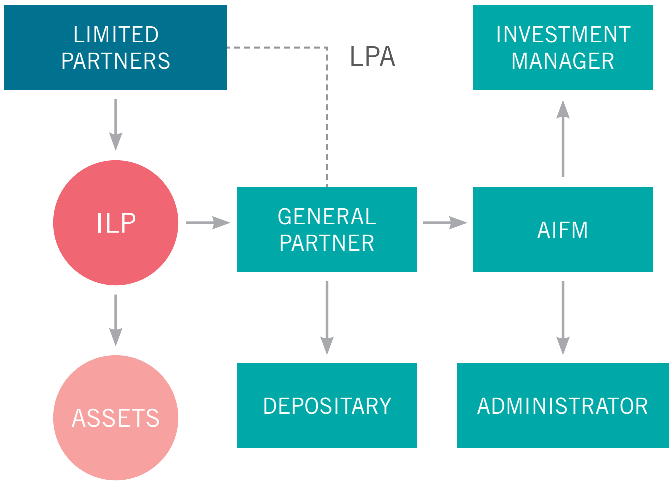
# THE INVESTMENT LIMITED PARTNERSHIP

irish funds

## A common law, EU-based partnership for investment funds

The Investment Limited Partnership (ILP) is a common law, regulated partnership structure specifically designed for investment funds. New legislation enacted in late 2020 has modernised the ILP in order to bring it into line with European and international standards and to provide the ILP with features available in other Irish regulated investment funds.

The ILP can accommodate a broad range of strategies and assets and will typically be used for closed-ended investing in strategies such as private equity, private credit, real assets and sustainable finance. The unique appeal of the Irish Investment Limited Partnership lies in it being an AIFMD-compliant, EU domiciled common law partnership.




## What is an Investment Limited Partnership?

A limited partnership structure is the vehicle of choice for many kinds of longer-term and closed-ended investments. An Investment Limited Partnership (ILP) is a fund-based type of limited partnership that is governed by the Investment Limited Partnerships Act 1994 and authorised by the Central Bank of Ireland as an alternative investment fund (AIF). The ILP is constituted under a Limited Partnership Agreement (LPA) between the general partner(s) and the limited partner investors in the ILP.

## What are the key changes under the recent legislation?

The ILP has been recently updated by the Investment Limited Partnerships (Amendment) Act 2020. The changes have modernised the ILP by i) clarifying the rights, obligations and status of limited partners and general partners; ii) aligning the standards and features of the ILP with those already in place for other Irish regulated investment fund structures; iii) updating the framework for changes in market practice since 1994; and iv) updating the ILP to take account of more recent EU legislation, in particular the Alternative Investment Fund Managers Directive (AIFMD).

## Key changes

- Expanding the limited liability safe harbours for limited partners, particularly in relation to limited partner advisory committee activities.
- Provision for an umbrella and sub-fund structure with segregated liability between sub-funds, similar to that in other irish regulated fund vehicles.
- Facilitating amendment of the LPA by majority consent of the investors, where previously unanimous consent was required.
- Simplifying the process for the return of capital to limited partners.
- Inclusion of new arrangements to facilitate the replacement of a general partner, including the creation of a statutory novation of assets and liabilities on substitution of a general partner.
- Amending terminology and requirements to align with EU norms and standards under the AIFMD, for example in relation to the depositary function and valuation.
- Provision for the ability to migrate partnerships from other jurisdictions to Ireland.

> "The legislative and regulatory changes will help to position Ireland as a leading centre for closed-ended AIFs, particularly those in the private funds and sustainable finance space."

## Regulation by the Central Bank of Ireland

ILPs are authorised and supervised by the Central Bank of Ireland. An ILP may be established as either a Retail Investor AIF (RIAIF) or a Qualifying Investor AIF (QIAIF). Given the professional nature of investors in such funds, we expect that the majority of ILPs will be established as QIAIFs.

The Central Bank of Ireland has issued Q&As regarding the role and status of the general partner in an ILP. The general partner may perform the role of an Alternative Investment Manager (AIFM) itself or appoint a separate AIFM. Where a separate AIFM is appointed, the general partner will fulfil its statutory functions relating to its authority to conduct the business of the ILP and act in an oversight capacity. A general partner is treated as a regulated financial services provider and is subject to Central Bank Regulations relating to the fitness and probity of its directors but will not otherwise be authorised by the Central Bank.

The Central Bank of Ireland has also issued new guidance relating to the establishment of differentiated classes of shares/units/partnership interests in closed-ended QIAIFs.

The new guidance sets out clearly the conditions relating to the use of these practices and will underpin the authorisation and regulation of ILPs, as well as other types of closed-ended QIAIFs.

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## New Central Bank guidance

The new guidance updates the regulatory framework to expressly provide for the:

- Use of capital accounting in non-unitised structures.
- Ability for differentiated participation by investors in a fund, involving clarification of the conditions around the use of excuse and exclude provisions.
- Ability to have multiple closings, "stage investing" and the related use of an equalisation process.
- Ability to have carry arrangements / incentive allocations via management participation in the ILP.

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