

# The Investment Limited Partnership (ILP) Ireland's New Fund Structure For The Future

Thursday, 4 March 2021

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The Voice of the Industry

30 years



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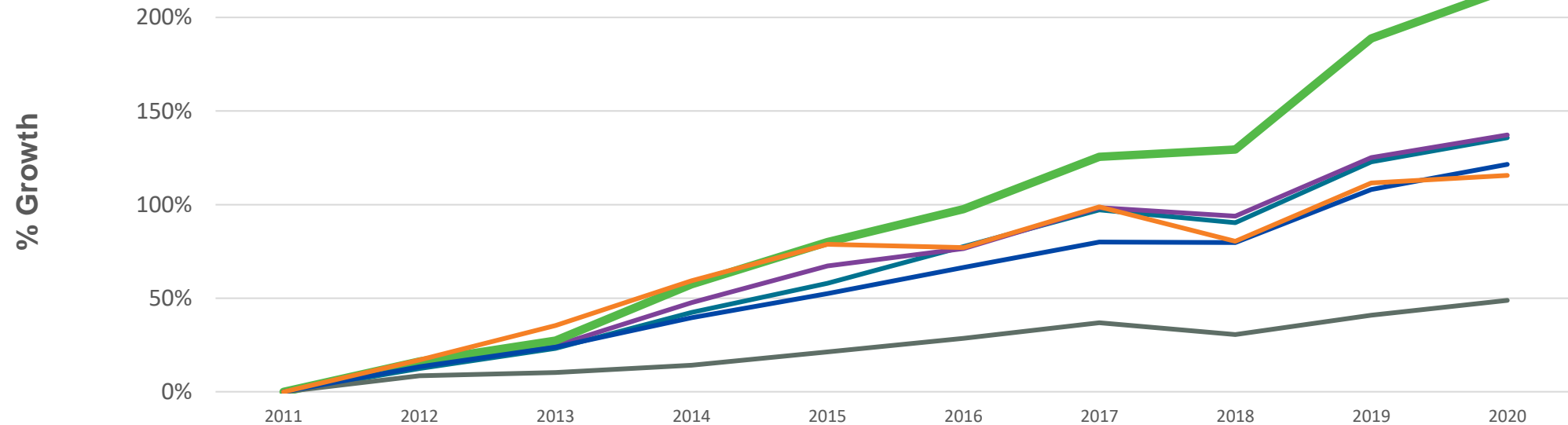
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# Fastest Growing Large European Fund Domiciles



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
— Europe	0%	13%	23%	42%	58%	78%	97%	90%	123%	136%
— Luxembourg	0%	14%	25%	48%	67%	77%	98%	94%	125%	137%
— Ireland	0%	16%	27%	57%	80%	98%	126%	129%	189%	215%
— France	0%	9%	10%	14%	21%	29%	37%	31%	41%	49%
— Germany	0%	13%	24%	40%	53%	66%	80%	80%	108%	122%
— UK	0%	17%	35%	59%	79%	77%	99%	80%	112%	116%

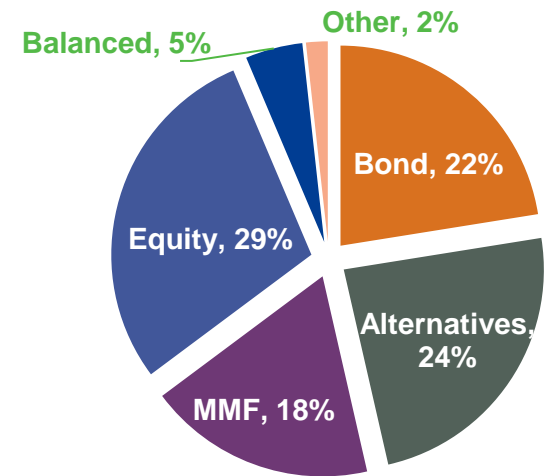
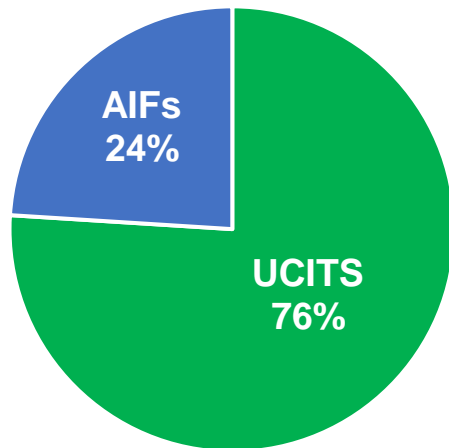
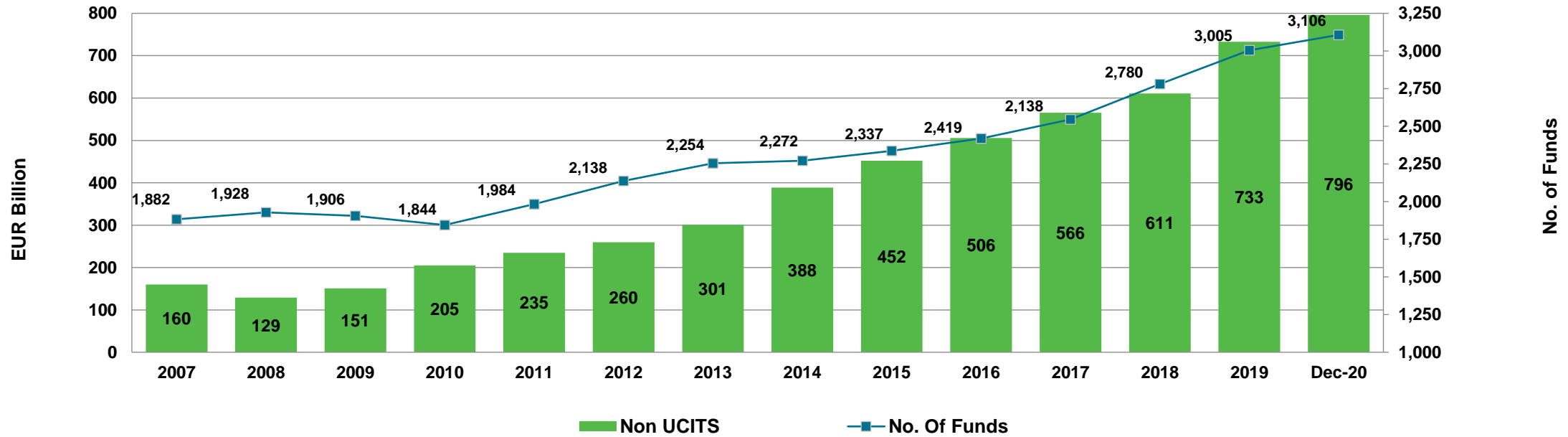
— Europe — Luxembourg — Ireland — France — Germany — UK

**Source: EFAMA Statistics**

Growth in domiciled assets from 31.12.2011 to the end of each period expressed as a %.

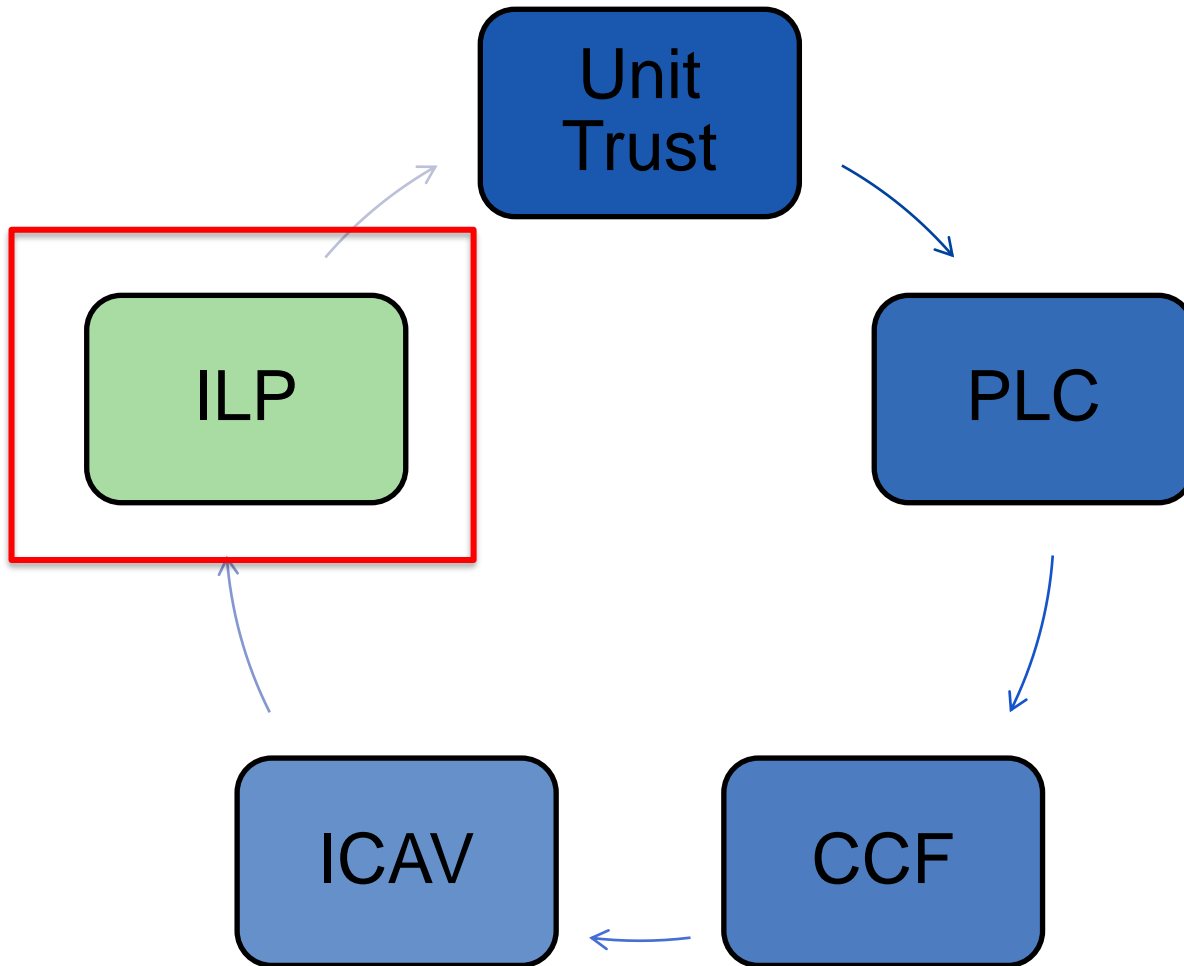
# Domiciled Assets – Growth and Breakdown

Irish Domiciled AIFs Funds  
Total Net Assets & No. of Funds



Source: All data sourced from Central Bank of Ireland

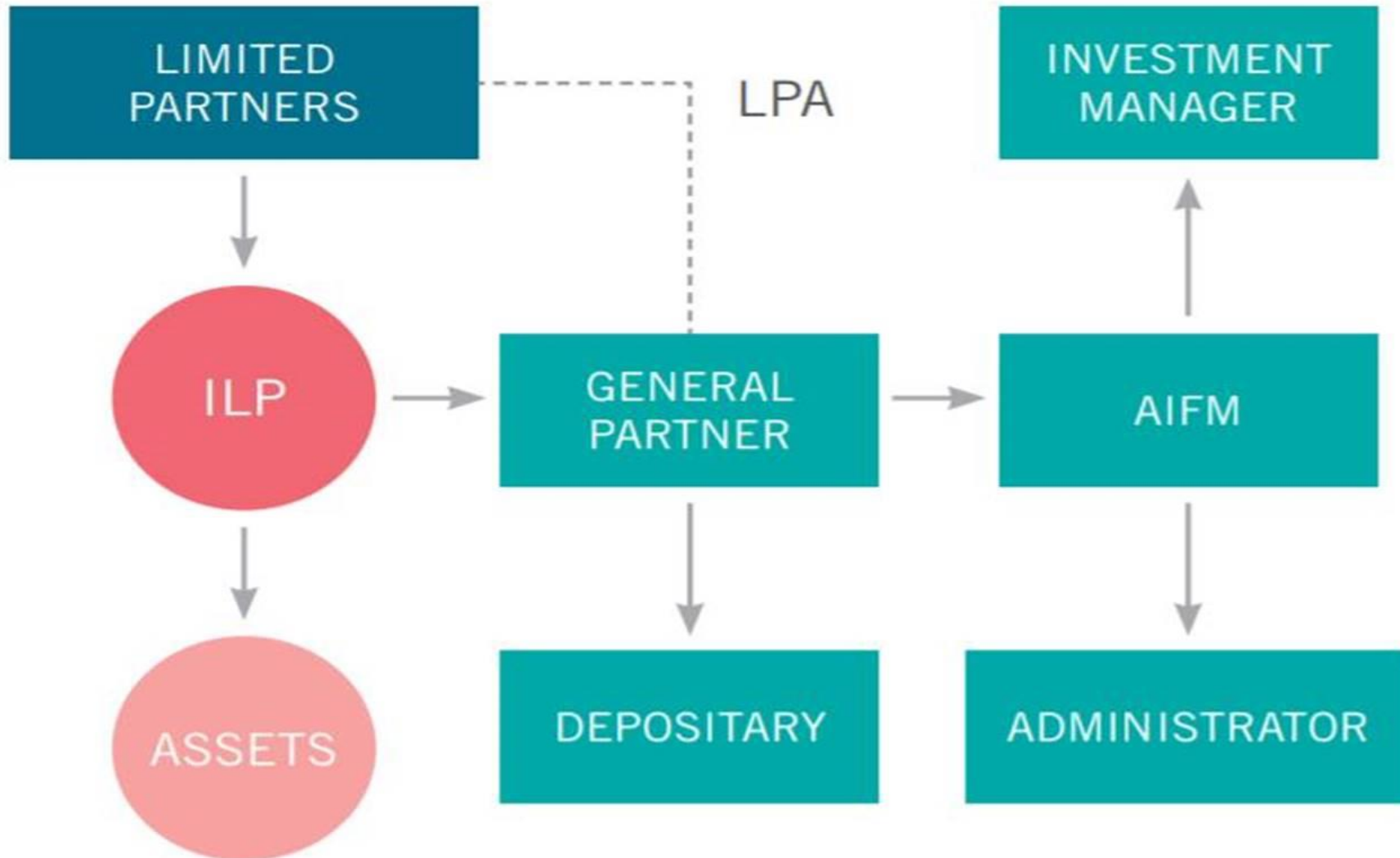
# Irish AIF Structures: Enormous Growth Opportunity?



Unit Trusts	732
PLCs	932
CCFs	106
ICAVs	1,136
ILPs	6

Source: Numbers calculated per sub-fund based on Central Bank of Ireland Register at 29 January 2021 (excludes non-designated companies (3))

# Sample ILP Structure



Source: Irish Funds

# Main Features of the ILP

<b>Legal Framework</b>	Investment Limited Partnerships Acts 1994 and 2020. Common-law structure familiar to major international sponsors, GPs and LPs.
<b>Legal Form</b>	Formed by a GP and one or more LPs pursuant to a LPA.
<b>Regulatory Category</b>	EEA AIF fully compliant with AIFMD. Also within scope for other major EU Regulations and Directives, e.g. SFDR.
<b>Eligible Investors</b>	Retail (RIAIF) or Qualifying (QIAIF) Investors [ <i>Important Note: This webinar and the information below will mainly focus on the QIAIF.</i> ]
<b>Minimum Initial Commitment (QIAIF)</b>	€100,000.
<b>Global Marketing</b>	The ILP is an EEA AIF so it can avail of the AIFMD pan-EEA marketing passport where it has an EEA AIFM. It can also be registered for sale in many of the world's leading investor markets subject to compliance with local securities laws.
<b>Maximum Number of Investors</b>	None (unlimited).
<b>Investor Liability</b>	Limited liability for LPs, provided they do not take part in the management of the ILP. The ILP Act sets out a “white list” of activities which can be performed by LPs without affecting their limited liability status.

# Main Features of the ILP (cont'd)

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## Investment Restrictions and Risk-Spreading Rules

ILPs established as QIAIFs have no material investment restrictions, no borrowing or leverage limits (subject to making clear investor disclosure and compliance with the requirements of the Central Bank). They are not subject to statutory risk-spreading obligations (permits PE and ownership strategies).

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## Eligible Assets

Owing to the flexibility on investment restrictions, borrowing and related features as well as the speed-to-market, the QIAIF ILP is likely to be among one of the more popular structures for private equity, private credit, real assets and ESG funds.

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## Key Documents

Prospectus, LPA, AIFM Agreement, Depositary Agreement, Administration Agreement, commitment agreement, advisory engagement letters and other documents (based on structure or asset class).

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## Main Service Providers and Advisors

GP, AIFM (which can also be the GP), depositary, administrator, distributors, auditors, legal advisors and many others (depending on structure/strategy).

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## Ability to Delegate to a Non-EEA Investment Manager

It is possible for an AIFM of an ILP to delegate portfolio management or risk management to a global investment manager in accordance with AIFMD and the requirements of the Central Bank.

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# Key Legislative Enhancements

<b>Naming Convention</b>	Inclusion of the ability to register an "alternative foreign name" in order to enable an ILP operating in a non-English speaking jurisdiction (e.g. China) to have official recognition of a translated name in that jurisdiction.
<b>LPs</b>	Revision of definition of "limited partners" to allow for the ability to divide LPs into sub-categories for regulatory reasons, fee treatment, rights and voting etc. Provision for the concept of a "majority of limited partners" to align with partnership governance in major fund domiciles. Expansion of the "white list" of activities which can be performed by LPs without affecting their limited liability status (e.g. involvement on LP committees etc.).
<b>GPs</b>	Provision for a statutory novation of assets and liabilities on substitution of a GP. Express confirmation of the ability to transfer a GP interest and provision clarifying the liability of incoming and outgoing GPs.
<b>Withdrawal of Capital</b>	Further statutory clarification on requirements for withdrawal of capital.
<b>Amendment of Limited Partnership Agreement ("LPA")</b>	Removal of requirement for all partners to consent in writing to amendment of the LPA. Operational efficiency including (i) depositary certification of non-prejudicial amendments; (ii) ability to approve certain issues by majority of LPs. These powers are subject clear provisions in the LPA and the requirements of the Central Bank.
<b>UBO</b>	Beneficial ownership provisions introduced.
<b>Umbrella Partnerships</b>	Ability to establish ILPs as umbrella funds, with segregated liability between sub-funds.
<b>Migration of Partnerships</b>	Ability to migrate partnerships into and out of Ireland on a statutory basis.



# Clear and Robust Regulation

<b>Regulator</b>	The Central Bank of Ireland is responsible for the authorisation and supervision of ILPs.
<b>Authorisation Process</b>	The Central Bank is committed to providing a clear, open and transparent authorisation process while ensuring a rigorous assessment of the applicable regulatory standards. Speed to market for QIAIFs.
<b>Main Regulatory Sources</b>	AIF Rulebook and Central Bank guidance.
<b>CE QIAIF Share Classes</b>	<p>Possible to issue different share classes to provide for:</p> <ul style="list-style-type: none"><li>• issue of interests at a price other than NAV;</li><li>• excuse and exclude provisions;</li><li>• stage investing; and</li><li>• management participation.</li></ul> <p>All of these features are subject to satisfying conditions and investor protection.</p>
<b>GP Approval</b>	<ul style="list-style-type: none"><li>• GP may be authorised as the AIFM or appoint an external AIFM; GP will then act in an oversight capacity.</li><li>• Where the GP is not the AIFM it does not need to be authorised as an AIF management company but fitness and probity provisions apply.</li></ul>
<b>Other Points to Note</b>	Update of Application Forms under new regime (Section 9).

# First Poll Question

Which of the following best describes your status with regard to the ILP?

1. Actively working on an application for authorisation;
2. In advanced discussions on a potential project(s); or
3. Monitoring developments with interest.

# A Depository's Perspective

- Real experience of the asset classes.
- Ability to meet the operational safekeeping requirements of AIFMD.
- Global knowledge to benefit new Irish products.
- Other Factors.

	Illiquid				Liquid	
	Real Assets	Private Equity	Originated Loans	Syndicated Loans	Hedge	Retail Alts
AUC/AUA	\$55bn	\$76bn	\$35bn	\$73bn	\$24bn	\$12bn
Fund Structures	Majority Closed-Ended	Majority Closed-Ended	Majority Closed-Ended	Majority Open-Ended	Majority Open-Ended	Open-Ended
Key Domiciles	US, Lux, UK, Ireland	US, Cayman, Lux	US, Lux, UK	Cayman, US, Lux, Bermuda, Ireland	US, Cayman, Ireland	Lux, US, Ireland

Data as of December 2020.

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# First Poll Results







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# An Asset Servicing Perspective

*Access Ireland's highly established infrastructure for alternative investment funds supporting an extensive range of asset servicing solutions:*

-  Sectors including private equity, private debt, real estate, infrastructure and hedge funds.
-  Highly experienced fund professionals.
-  Technology supporting operational closed-ended mechanics and private capital investor reporting requirements.
-  Industry scale and track-record for closed-ended private capital funds.

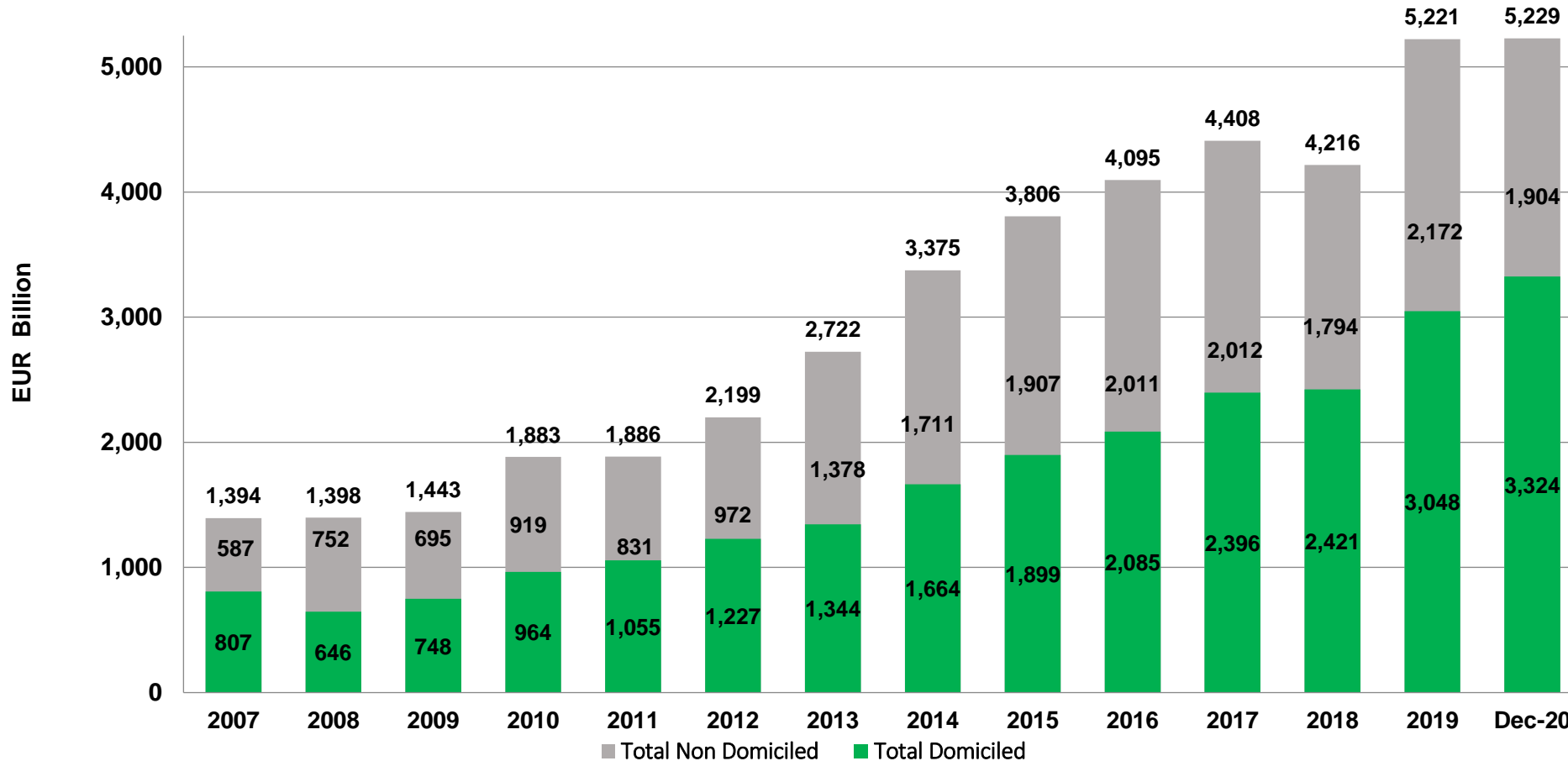
Northern Trust<sup>1</sup> has been supporting closed-ended commitment style QIAIF Irish Collective-asset Management Vehicles (ICAVs) since the implementation of the ICAV Act on 12 March 2015 and currently support<sup>1</sup>:

Real Estate and Infrastructure	Private Equity	Private Credit	Green Energy
134	18	19	4

Source 1: Northern Trust as of 31 December 2020. Source 2: Monterey Insight Ireland Fund Report 2020.

# Total Assets Under Administration – Split between Irish & Non-Irish Funds

**Total Domiciled and Non-Domiciled Assets Under Administration**



Source: All data sourced from Central Bank of Ireland




# Second Poll Question

What strategy do you expect to be the dominant theme for ILPs over the next 12 months?

1. Private Equity;
2. Private Credit;
3. Real Assets (Infrastructure, Real Estate etc.); or
4. Sustainable Finance.

# Tax Perspective

## *Existing Irish tax law confirms the Irish tax treatment of the ILP*

-  • Irish tax law confirms that the ILP is tax transparent from an Irish tax perspective.
  -  • Tax transparency can be important to investors to understand (local) tax treatment of income/gains, as well as for the purposes of accessing reliefs or exemptions under double tax treaties etc.
  -  • A comprehensive tax review is important when structuring an ILP, taking into account asset classes, holding structures and investor tax status.
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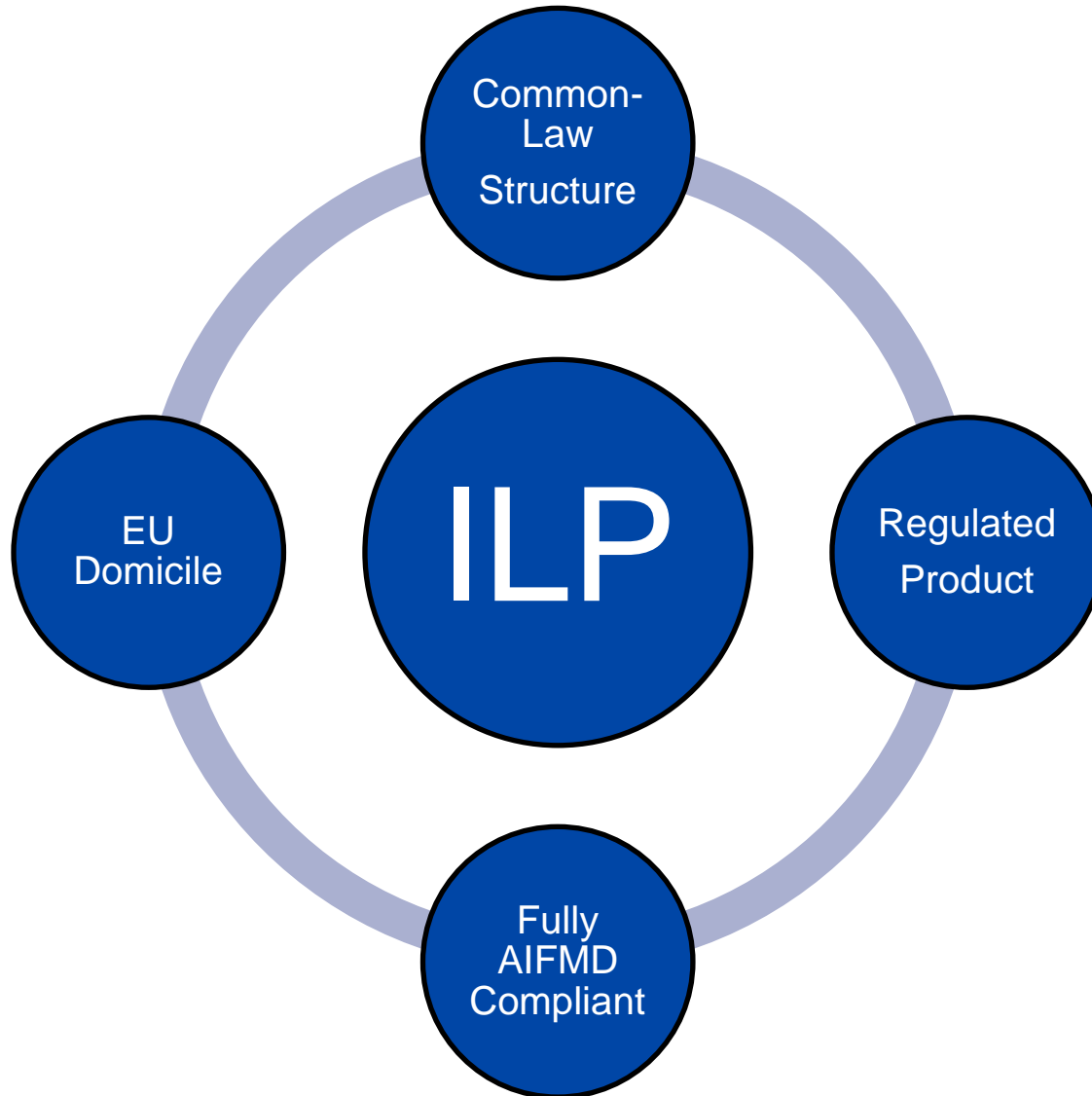
# Second Poll Results



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# ILP 2.0 Recap and Questions



Full range of Alternative Asset Classes including:

- Private Equity
- Private Credit
- Real Assets
- Sustainable Finance

# The Irish Funds Industry: A Snapshot

SOURCE: Central Bank of Ireland, Monterey Insight Ireland Survey 2019 and Irish Funds (Net assets and number of funds valid as of December 2019)

**1009** Fund Promoters  
(564 promoters of Irish Domiciled Funds)



## Irish Investment Funds Industry

**\$5.8**

TRILLION TOTAL AUA

**\$3.4**

TRILLION DOMICILED AUA



ADMINISTRATORS  
DEPOSITARIES

DISTRIBUTION TO OVER

**90** COUNTRIES



ASSET  
MANAGERS

**14,113** TOTAL FUNDS

7,707 IRISH DOMICILED

6,406 NONDOMICILED



LAWYERS  
ACCOUNTANTS  
LISTING BROKERS

