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Retail Investor Alternative Investment Fund

What is a Retail Investor Alternative Investment Fund?

A Retail Investor Alternative Investment Fund (RIAIF) is a regulated investment fund that is targeted at "retail investors" and which does not impose any minimum initial subscription requirements.

A RIAIF constitutes an alternative investment fund (AIF) under the Alternative Investment Fund Managers Directive (AIFMD) and is required to appoint an EU alternative investment fund manager (AIFM).

Key Features

A RIAIF allows for the pooling of assets.

RIAIFs are subject to less limiting investment restrictions and the range of eligible assets that a Qualifying Alternative Investment Fund (QIAIF) may acquire is not as restricted as the UCITS but is more restrictive than the QIAIF. For example, a RIAIF may invest no more than 20% of its net assets in securities that are not traded in or dealt on a regulated market and is precluded from investing more than 20% of its net assets in any one issuer, whereas the equivalent UCITS limits are 10%. RIAIFs are generally obliged to ensure that they are sufficiently diversified.

RIAIFs can be established as real estate funds, private equity funds, fund of funds etc.

There is no requirement to distribute capital or income and thus RIAIFs can be established either as distributing funds or accumulating funds.

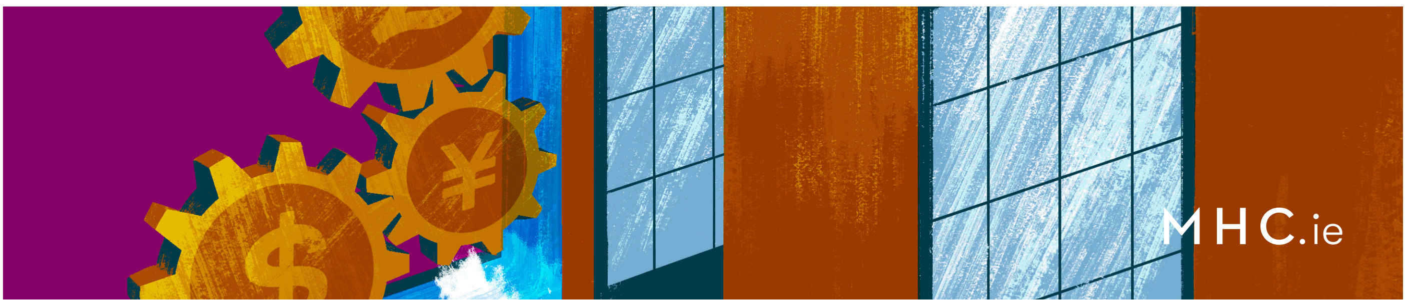
RIAIFs are exempt from Irish taxes and as RIAIFs may be established as an Irish resident corporate vehicle, they may be able to take advantage of Ireland's extensive network of double taxation treaties.

Under AIFMD, unlike a QIAIF, as a retail product a RIAIF cannot avail of the European marketing passport to distribute to retail investors throughout the EEA as this is only available to professional investors. Access to individual markets may be granted on a case-by-case basis.

Legal Structures

A RIAIF may be as established as:

- An Irish collective asset-management vehicle (ICAV) - this is a corporate legal structure that is customised specifically for investment funds. An ICAV can make a check-the-box election, which allows the ICAV to be treated as a tax transparent vehicle for US federal tax purposes
- An Irish investment company - this is a public limited company established under Part 24 of the Companies Act 2014, as amended. It is a corporate legal structure whose paid-up share capital is equal to the net asset value of the company



- A unit trust - this is a contractual type vehicle that is established by a trust deed entered into between the RIAIF's depositary and manager/AIFM. It is not a separate legal entity, the unit trust is managed by a manager/AIFM and its assets are held by a depositary
- An investment limited partnership - this vehicle is established by a limited partnership agreement. It is not a separate legal entity and is most suited for private equity funds or investors who prefer to invest via a tax transparent vehicle
- A common contractual fund (CCF) - this is a contractual type vehicle constituted under a deed of constitution. Investors of a CCF are co-owners of the CCF's assets, as a result certain tax efficiencies can be utilised, particularly for institutional investors such as pension funds

Regulatory Approval Process and Timeframe

Unlike QIAIFs which are subject to a fast-track regulatory approval process, the RIAIF is subject to a regulatory approval process with the Central Bank which generally takes about 10 to 12 weeks, depending on the nature and complexity of the RIAIF. The procedure for the authorisation of a RIAIF involves obtaining the Central Bank's approval of the directors and the investment manager to the RIAIF, as well completing the Central Bank's review and approval of certain core fund documents, principally the prospectus.

Taxation

RIAIFs are not subject to Irish corporation tax, and are not liable for capital gains taxes on profits or gains. Investors (other than Irish resident investors) may redeem or transfer their units, or receive distributions from the RIAIF without the application of Irish withholding tax. No capital duty is payable on the issue or transfer of units of a RIAIF. A RIAIF established as an investment limited partnership or a common contractual fund is treated as being tax transparent. In addition, a RIAIF established as an ICAV or an investment company, is normally entitled to benefit from Ireland's extensive double-tax treaty network and thereby avail of reduced rates of foreign withholding taxes on foreign source income or profits.

What Others Say About Us

Our Investment Funds Team

'The team is exceptionally knowledgeable and integrated. Opinions on a variety of issues are consolidated and delivered rapidly.'

Legal 500, 2022

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