

IRELAND'S "SUPER QIF"

Authorised In One Day

The Qualifying Investor Fund ("QIF"), the most successful non-UCITS fund in Ireland, is the vehicle of choice for fund promoters wishing to pursue alternative strategies such as hedge funds, private equity/venture capital funds and real estate funds. The significant investment flexibility which the Irish regulatory regime offers to QIFs, together with the fact that they can be authorised within 24 hours of filing documentation with the Central Bank, has made them one of the most successful Irish fund products. The QIF now competes in terms of flexibility and speed-to-market with products in offshore centres such as Cayman and BVI, but with the added advantage of being located within a robust regulatory framework.

Flexibility

The general investment and borrowing restrictions imposed by the Central Bank on investment funds are automatically avoided by structuring the fund as a QIF.

QIFs can pursue investment strategies which include short selling, significant borrowings and leverage, derivatives and investments in other funds, without restriction. Similarly, the limit on the level of investment in any given market or securities which apply to all other types of funds in Ireland do not apply to QIFs.

Accordingly, QIFs are particularly suitable for sale to sophisticated investors such as high net-worth individuals and institutions. More aggressive investment strategies can be pursued, such as:

- hedge funds
- real estate funds
- infrastructure funds
- private equity funds
- venture capital funds

QIF Overview

To qualify as a QIF, a fund must;

- impose a minimum subscription requirement of at least €100,000 per investor;
- be marketed solely to the following qualifying investors:
 - (a) an investor who is a professional client within the meaning of Annex II of Directive 2004/39/EC (Markets in Financial Instruments Directive) ("MiFID"); or
 - (b) an investor who receives an appraisal from an EU credit institution, a MiFID firm or a UCITS management company, that the investor has the appropriate expertise, experience and knowledge to adequately understand the investment in the scheme; or
 - (c) an investor who certifies that they are an informed investor by providing the following:
 - confirmation (in writing) that the investor has such knowledge of and experience in financial and business matters as would enable the investor to properly evaluate the merits and risks of the prospective investment; or
 - confirmation (in writing) that the investor's business involves, whether for its own account or the account of others, the management, acquisition or disposal of property of the same kind as the property of the scheme.

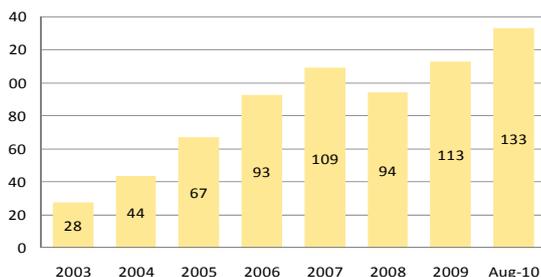
Qualifying investors must self certify that they meet the minimum criteria, that they are aware of the risk involved in the proposed investment and of the fact that, inherent in such investment, is the potential to lose the entire sum invested. Institutions may not group amounts of less than €100,000 for individual investors unless the underlying investors themselves are qualifying investors.

Exemptions from the qualifying criteria and minimum subscription requirements may be granted to the investment manager, the promoter, the directors and "knowledgeable employees" subject to certain conditions.



Total Assets of Irish Qualifying Investor Funds (QIFs)

Total Assets (Eur Billion)



Source: Central Bank of Ireland

24 Hour Authorisation

QIFs are authorised to launch within one day of filing the prescribed documentation with the Central Bank. An application for authorisation as a QIF can be made where the:

- promoter;
- management company (if applicable);
- directors in the case of an investment company;
- trustee / custodian; and
- other service providers (fund administrator, investment manager) have been approved/cleared by the Central Bank in advance of the application and where the fund reflects the agreed parameters.

The relevant application form for a QIF, which must be completed and submitted to the Central Bank, is designed to establish the parameters within which a QIF can operate. A certification must accompany the application form confirming that the application form is correct, complete and accurately reflects the material documentation of the QIF and that the prospectus etc. complies with the relevant regulations. Once all necessary documents are completed and submitted to the Central Bank by 3pm, the QIF will be authorised the following day.

Fund Vehicles

A QIF can be established as a variable capital investment company, unit trust, common contractual fund or investment limited partnership. Consideration should be given to investment strategy, target investor market, distribution plans and tax consequences in choosing the optimum vehicle and structure.

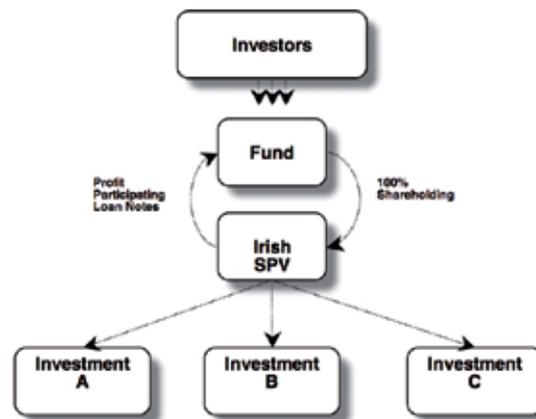
Use of SPVs

QIFs can invest in underlying assets through wholly owned special purpose vehicles ("SPVs"). This is of particular interest, for example, for real estate funds where each real estate investment can be made through an SPV in order to ringfence liability relating to each project. The SPV structure can also be used for tax efficiency purposes, to avoid or reduce withholding tax on dividend and interest payments to the QIF.

This is done by holding underlying assets through an Irish SPV. The SPV is a taxable entity in Ireland, so can avail of Ireland's double tax treaties to avoid or reduce withholding tax. At the same time, its transactions are generally structured so that the level of taxable profit is negligible or

zero. This is done by ensuring that the SPV's income is matched by tax deductible expenditure. As a tax-exempt vehicle, the QIF will not suffer any Irish tax on interest income and dividends received from the SPV.

An illustration of the structure is as follows:



Other Key Features of QIFs

- audited annual accounts must be sent to the Central Bank and shareholders within four months of the year end;
- semi-annual accounts are not required;
- any amendments to the QIF's prospectus or material contracts need to be filed with the Central Bank one business day prior to coming into effect;
- QIFs can issue a separate prospectus for a share class within a QIF or within a sub-fund of an umbrella QIF, provided the existence of other share classes is disclosed to investors; and
- a QIF may issue notes, on a private basis, to lending institutions to facilitate financing arrangements, provided that details of the note issue is clearly disclosed in the prospectus.

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